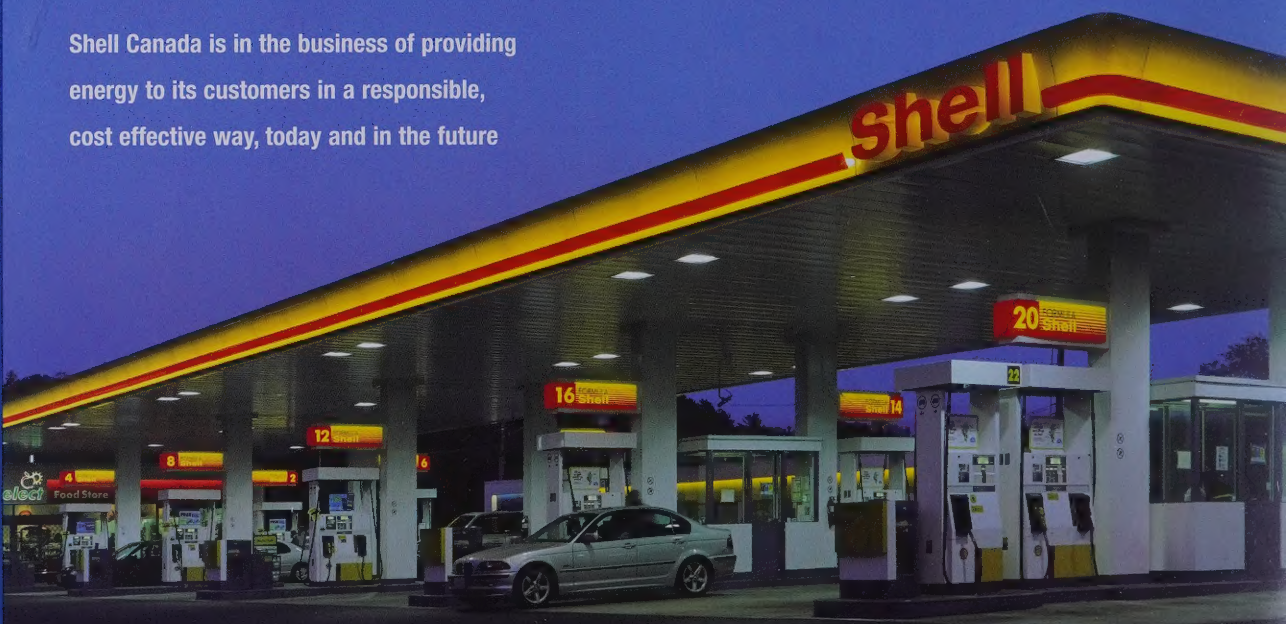
Shell Canada Limited

2001 ANNUAL REPORT

ANNUAL REPORT 2001

Shell Canada's corporate goals are leadership in profitability and profitable growth, with an overarching commitment to sustainable development.

Shell Canada is in the business of providing energy to its customers in a responsible, cost effective way, today and in the future



Unless the content indicates otherwise, the terms Shell, Shell Canada, Shell Canada Limited, Corporation, Company, we, our and its are used interchangeably in this report to refer to Shell Canada Limited, its consolidated subsidiaries and Shell Canada Products.

HIGHLIGHTS

Shell Canada Limited

FINANCIAL HIGHLIGHTS

	2001
Earnings *($ millions)*	1 010
Cash flow from operations *($ millions)*	1 495
Capital and exploration expenditures *($ millions)*	2 027
Return on average capital employed *(%)*	21.5
Return on average common shareholders' equity *(%)*	23.3
Per Common Share *(dollars)*	
Earnings – basic	3.67
Earnings – diluted	3.65
Cash flow from operations	5.44
Dividends	0.80

OPERATING HIGHLIGHTS

Production	2001
Natural gas – gross *(mmcf/d)*	614
Ethane, propane and butane – gross *(bbls/d)*	28 800
Condensate – gross *(bbls/d)*	22 300
Bitumen – gross *(bbls/d)*	4 500
Crude oil – gross *(bbls/d)*	–
Sulphur – gross *(long tons/d)*	6 100
Crude oil processed by Shell refineries *(m^3/d)*	43 700
Sales	
Petroleum product sales *(m^3/d)*	44 900
Prices	
Natural gas average plant gate netback price *($/mcf)*	5.75
Ethane, propane and butane average field gate price *($/bbl)*	24.22
Condensate average field gate price *($/bbl)*	38.23
Crude oil average field gate price *($/bbl)*	–

The information contained in this report includes "forward looking statements" based upon current expectations, estimates and projections of future production, project start-up and future capital spending that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Corporation. These risks and uncertainties include, but are not limited to, changes in: market conditions, law or government policy, operating conditions and costs, project schedules, operating performance, demand for oil, gas and related products, price and exchange rate fluctuation, commercial negotiations or other technical and economic factors.

Priorities

Shell Canada's corporate goals are leadership in profitability and profitable growth, with an overarching commitment to sustainable development.

The Company's success in meeting its profitability goal was based on operational excellence. All parts of the Company are accountable for what they can control in seven key areas of the business: profitability; customer focus; asset reliability; growth; costs; health, safety and sustainable development; and employees.

Shell Canada is committed to the health and safety of its employees and contractors, pursuing the goal of no harm to people.

The Company also pursues profitable growth through major projects in Resources and Oil Sands, and by enhancing profitability in all parts of the business.

A commitment to sustainable development underpins these goals and enables Shell Canada to integrate economic, environmental and social dimensions into the day-to-day conduct of its business. By applying the principles of sustainable development, Shell can provide value to its customers in a way that respects environmental and social concerns. At the same time, the Company contributes to the economic benefit of its shareholders, employees and society at large. This, in turn, helps Shell to maintain a license to operate and to be the preferred company for its various stakeholders.

By aiming for exceptional levels of performance in both operational excellence and sustainable development, Shell seeks to balance conflicting priorities and distinguish itself from the competition.

Shell Canada Limited is one of the largest integrated petroleum companies in Canada, comprising three major business units supported by a number of Corporate departments.

Profile

RESOURCES

RESOURCES EXPLORES FOR AND PRODUCES natural gas, natural gas liquids, bitumen and sulphur. The upstream business operates four natural gas processing facilities in the Foothills area of Alberta and an in-situ oil sands project near Peace River, Alberta. The Company also has a 31.3 per cent share of the Sable Offshore Energy Project's reserves. The project produces natural gas off the east coast of Nova Scotia.

Foothills reliability

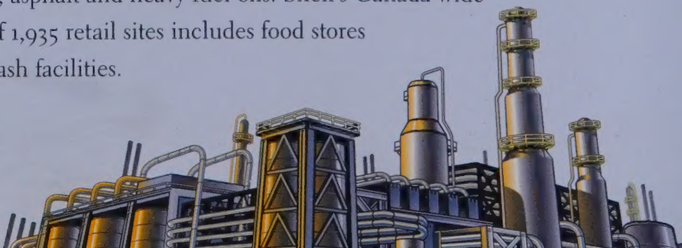
OIL SANDS

UNDER A JOINT VENTURE AGREEMENT, Shell Canada holds a 60 per cent interest in the Athabasca Oil Sands Project in northern Alberta. The largest project in Shell Canada's history, it includes the Muskeg River mine and the Scotford upgrader. Construction is well advanced and bitumen production is expected to start late in 2002 with synthetic crude oil coming soon after. Bitumen production is expected to reach its full rate of 155,000 barrels per day in 2003.

155,000 bbls

OIL PRODUCTS

THE DOWNSTREAM BUSINESS MANUFACTURES, DISTRIBUTES AND MARKETS refined petroleum products across the country. Refineries in Montreal, Quebec; Sarnia, Ontario; and Fort Saskatchewan, Alberta; convert crude oil into gasoline, diesel fuel, aviation fuels, solvents, lubricants, asphalt and heavy fuel oils. Shell's Canada-wide network of 1,935 retail sites includes food stores and car wash facilities.



efficiency

Achievements

Record ROACE of 39.9 per cent, which easily surpassed Resources target of 15 per cent.

High reliability and low unit costs for all Foothills natural gas plants.

Increased production levels from the Sable Offshore Energy Project.

Completion of a feasibility study for possible development of the Mackenzie Delta reserves and start of the regulatory application process.

ISO 14001 registration of the environmental management systems for all Resources major facilities.

Achievement of outstanding safety records at both the mine and upgrader sites during peak construction activity.

At the Muskeg River mine site, completion of detailed engineering and 70 per cent construction progress by year-end. At the Scotford upgrader site, near-completion of detailed engineering and 50 per cent construction progress.

ROACE of 22.2 per cent, which exceeded Oil Products target of 15 per cent.

Improved reliability and yields at Shell refineries.

A 12.5 per cent increase in margin from convenience products and services over the previous year.

Launch of the Shell Optimax Gold™ premium grade gasoline, and easyPAY™.

ISO 14001 registration of all major downstream production facilities.

Looking Forward

Increased investment and continued focus on operational excellence to make the most of existing assets in Western Canada.

Next stages of development of the Sable Offshore Energy Project.

Work on regulatory applications for the development of reserves in the Mackenzie Delta.

Further exploration in the Sable basin and deep water acreage, and in the Mackenzie Delta.

Integrated start-up of the Athabasca Oil Sands Project with bitumen production expected late 2002 and synthetic crude oil soon after.

Evaluation of long-term development opportunities to expand the Muskeg River mine and develop a new mine in two phases.

Further work to improve refinery yields and efficiency.

Completion of refinery enhancements to meet new government regulations with respect to low-sulphur gasoline.

Major shutdown at Scotford refinery to complete the tie-in to the Athabasca Oil Sands Project.

Focus on improving retail site throughput, and increasing sales penetration in both retail and commercial markets through differentiated customer offerings.

PERFORMANCE

I am pleased to report that Shell Canada Limited posted record earnings of $1,010 million, or $3.67 per Common Share in 2001. Return on average capital employed (ROACE), which is how we measure profitability, was 21.5 per cent. This was much better than the Company's basic target of 15 per cent and placed us among the most profitable integrated oil and gas companies in Canada.

In a year that saw crude oil and natural gas prices and refinery margins plunge from the exceptional heights of the first quarter to much lower levels by year-end, the principles of operational excellence were crucial to our success. They enabled us to make the most of high commodity prices and refining margins in the first six months by maximizing the efficiency and reliability of our assets. Later, those same principles kept us focused on the fundamentals of sound business practice as market conditions weakened. Earnings also benefited from lower provincial tax rates.

Resources turned in another record performance with a ROACE of 39.9 per cent. In addition to the impact of strong commodity prices in the first six months of 2001, our success was due to excellent plant reliability and higher production levels from the Sable Offshore Energy Project. In Oil Products, excellent plant reliability enabled us to benefit for most of the year from strong refining margins, which were the result of high demand for gasoline and exceptionally low inventories of finished product. Thus, the downstream business achieved a record 22.2 per cent ROACE and maintained first place performance among its industry competitors. Marketing margins remained depressed for most of the year because of tough competitive pressures at the gas pumps.

The profitability of our base business continues to support the Company's growth projects:

- Start-up of Shell's Athabasca Oil Sands Project (AOSP) is targeted to begin late 2002.
- Shell increased exploration activity in the Sable Basin, and three-dimensional seismic was completed in the deep water southwest of Sable Island.
- A feasibility study for development of natural gas reserves in the Mackenzie Delta was completed in 2001. Shell and the rest of the producers' group will develop regulatory applications in 2002 for filing in 2003.

In 2001, Shell's dividends increased to 80 cents per share from 76 cents, while total shareholder return was 19.2 per cent compared with 36.5 per cent in 2000.

SAFETY PERFORMANCE

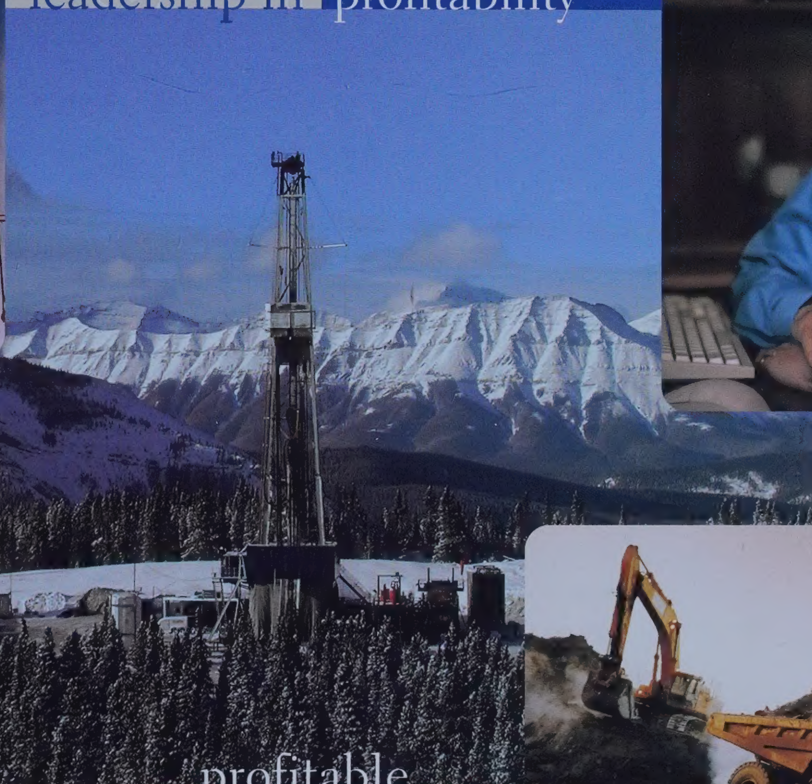
I regret to report that the year started badly with two contractor fatalities in the first quarter. These tragedies sent a clear message that we must ensure every individual working for Shell Canada and its contractor companies recognizes and guards against the physical risks associated with our business. On a more positive note, there were some impressive safety achievements during the year. Foothills completed a year without a lost-work incident for employees and contractors. Also, the AOSP mine and upgrader sites both achieved outstanding safety performance even as construction activity ran at peak levels.

SUSTAINABLE DEVELOPMENT (SD)

Shell's commitment to sustainable development remains as strong as ever as we continue to learn from our experience and engagement with external stakeholders. I believe that the business case for SD grows more compelling as economic conditions become more challenging. Thinking sustainably forces us to pursue strategies that are based on increased efficiency and that support our financial performance without compromising the environment or the communities where we operate.

Pump jacks at Shell's Peace River in-situ oil sands facility

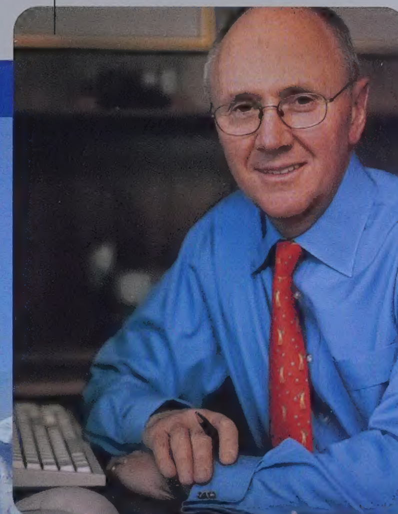
leadership in profitability



Drilling rig at Moose Mountain in the Alberta Foothills

profitable growth

Tim Faithfull, President and Chief Executive Officer



Fort McKay General Contracting prepares the Muskeg River mine site

President's Message

Pressure swing absorbers in the hydrogen manufacturing unit at the Scotford upgrader site

A willingness to open our plans, procedures and decision-making to the scrutiny of outside bodies is essential to our progress toward sustainability. For example, in 2001, Shell Canada became the first major oil and gas company in Canada to achieve ISO 14001 registration of the environmental management systems for all its key operating facilities. While Shell's environmental policies and procedures have been in place for a number of years, an independent review by a third party imposes greater consistency and discipline on implementation.

Shell Canada shares the widespread concern about climate change and the effect of greenhouse gas emissions. We have set targets and established plans for managing emissions from our own activities.

Our energy efficiency efforts have reduced carbon dioxide emissions from the base business by almost 10 per cent over 1990 levels. In addition, we are planning a further six per cent reduction in these emissions by 2008. We have set challenging goals to reduce the emissions from our AOSP, but the size of this new business means that our overall greenhouse gas emissions will increase as our business grows. The Shell Climate Change Advisory Panel continues to challenge us to look for ways to minimize or eliminate these increases. With input from the panel, we have now finalized our climate change strategy, our principles for managing greenhouse gas emissions as our business grows. We also participated as a pilot company for the World Resources Institute's and the World Business Council for Sustainable Development's initiative to develop a greenhouse gas management protocol for internationally acceptable accounting and reporting standards.

We support international efforts by governments to create market-based structures, which allow companies and customers to arrive at innovative technical and commercial solutions to reducing emissions. Shell Canada believes that such measures must be transparent and effective in terms of both cost and environmental impact.

In the second year of a three-year agreement to purchase electricity generated by three wind turbines, we were encouraged by the federal government's December announcement of a $260 million, 10-year program to provide financial incentives for the production of electricity from wind-powered projects.

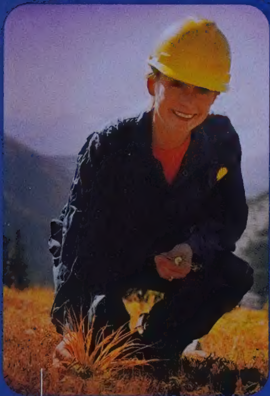
In December, 2001, our 2000 annual Progress Toward Sustainable Development report received a gold award for best environmental and sustainability reporting among resource companies in Canada that are listed in the Financial Post 500 companies.

Finally, an independent survey ranked Shell Canada among *Canada's Top 100 Employers* for the second consecutive year.

THE ATHABASCA OIL SANDS PROJECT (AOSP)

Without doubt, the greatest challenge presented to Shell by the AOSP in 2001 was the significant increase in cost estimates to complete the project. These increases are associated mainly with labour availability and productivity, but also reflect greater design complexity than originally planned. We now estimate that Shell's share of project costs will total $3.6 billion, or an increase of about one-third.

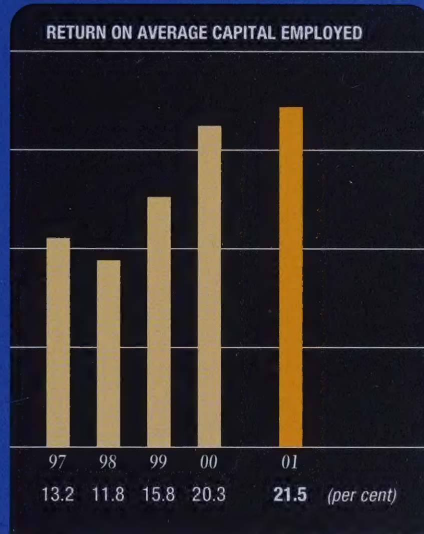
For most of 2001, our efforts to manage costs were severely compromised by the effects of labour shortages created by the high level of construction activity in Alberta. Difficulty in hiring the right skills at the right time resulted in lower productivity than originally anticipated. However, by the end of 2001, we saw signs of improvement in labour availability as other industry projects reached completion. Our revised estimates assume an adequate supply of manpower and improved productivity over the balance of the project.

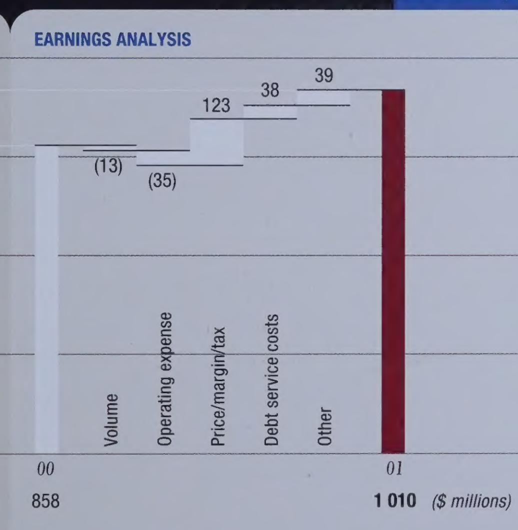


Carol Elliott, Senior Foreman, Resources Decommissioning and Reclamation

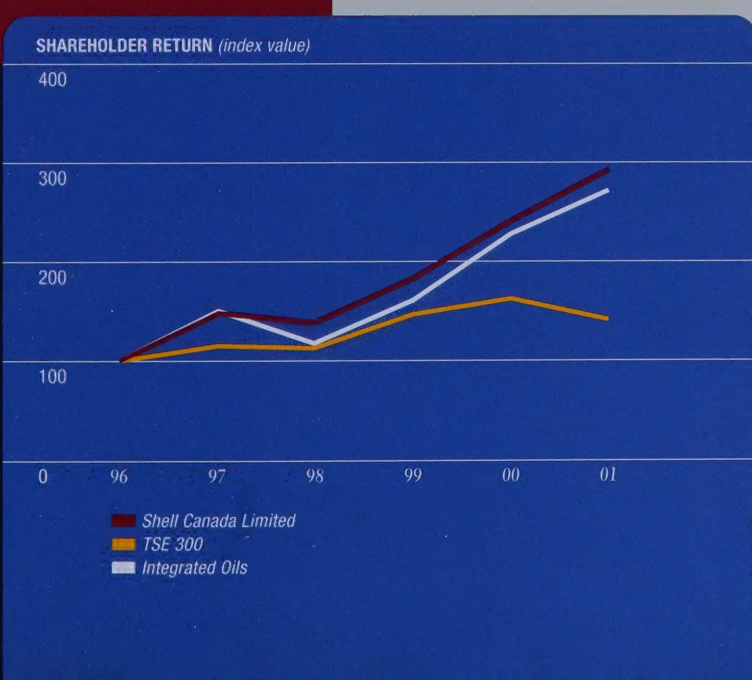
2001

Strong operating performance based on operational excellence resulted in a record ROACE





Shell Canada outperformed both the TSE 300 and the Integrated Oils indexes for the fourth consecutive year



Bob Schram, Senior Process Operator at Shell's Sarnia refinery

LOOKING FORWARD

In the last half of 2001, crude oil and natural gas prices fell as economies around the world weakened. The tragic events of September 11 in the United States created further uncertainty in the economy. In this climate, we expect to see continuing price volatility for both crude oil and natural gas throughout 2002.

Shell Canada's corporate goals remain unchanged: leadership in profitability and profitable growth with an overarching commitment to sustainable development. We will continue to apply the principles of operational excellence to maintain our competitive edge and a sustained 15 per cent ROACE. This target will be difficult to achieve in 2002 due to an uncertain economy and the level of expenditures required to complete the AOSP.

The 2002 capital expenditure program includes approximately $500 million for Resources exploration and development. The Foothills group will use about 40 per cent of this amount to leverage the experience and expertise Shell has in this area and to build on the strength of our existing infrastructure position. An additional 10 per cent of the Resources 2002 program is for Peace River, where a drilling program is on track to stabilize production to current plant capacity in 2002.

The balance of the upstream spending program will go to our growth projects. Plans are in place for further development of the Sable Offshore Energy Project and Shell expects to invest in further exploration in the Sable Basin and the deep water southwest of Sable Island. Exploration will continue in the Mackenzie Delta and work will proceed in 2002 and 2003 on the necessary regulatory applications to permit development of Shell's existing natural gas resources.

Construction of the AOSP will move towards its scheduled completion. First bitumen production is planned for late 2002. With engineering virtually complete, the project team is concentrating its efforts on construction completion and detailed planning of the integrated start-up to ensure that the project comes on stream smoothly with a successful build-up in production. Evaluation of the potential for expansion and subsequent development of Shell's other leases in the Athabasca area is already under way and will move forward in 2002.

I will continue to act as Senior Operating Officer, Oil Products. I assumed responsibility for this role in 2001 when John Wills, who had filled this position since 1999, accepted a senior appointment with the Shell Group in London, England.

In 2002, the downstream business will complete construction of the gasoline treatment facilities at our Sarnia and Montreal East refineries needed to meet the federal government's new low-sulphur regulations. When this project reaches a successful conclusion, Oil Products will proceed with plans to produce ultra-low-sulphur diesel by 2006.

In the second quarter of 2002, Scotford refinery will undergo a major shutdown to allow tie-in with the AOSP. There will also be major turnarounds at our Sarnia and Montreal East refineries.

Shell Canada's success is due in large part to the commitment, integrity and expertise of our people. Their continued focus on the principles of operational excellence helped us to maximize opportunities in all parts of the business and meet the challenges of an increasingly volatile market place. Their commitment to sustainable development also lent support to all aspects of our operations and future plans. I am proud of our employees' accomplishments and thank them for their dedication.

Finally, I would like to acknowledge Fernand Bibeau, who will be retiring from the Board of Directors in 2002. In his 14 years as a director of this Company, Fernand has served Shell diligently. On behalf of the Board and employees of Shell Canada, I thank him for the advice and guidance that have contributed so much to our success.

On behalf of the Board,

T. W. Faithfull

TIM W. FAITHFULL
President and Chief Executive Officer
Calgary, Alberta

March 2002

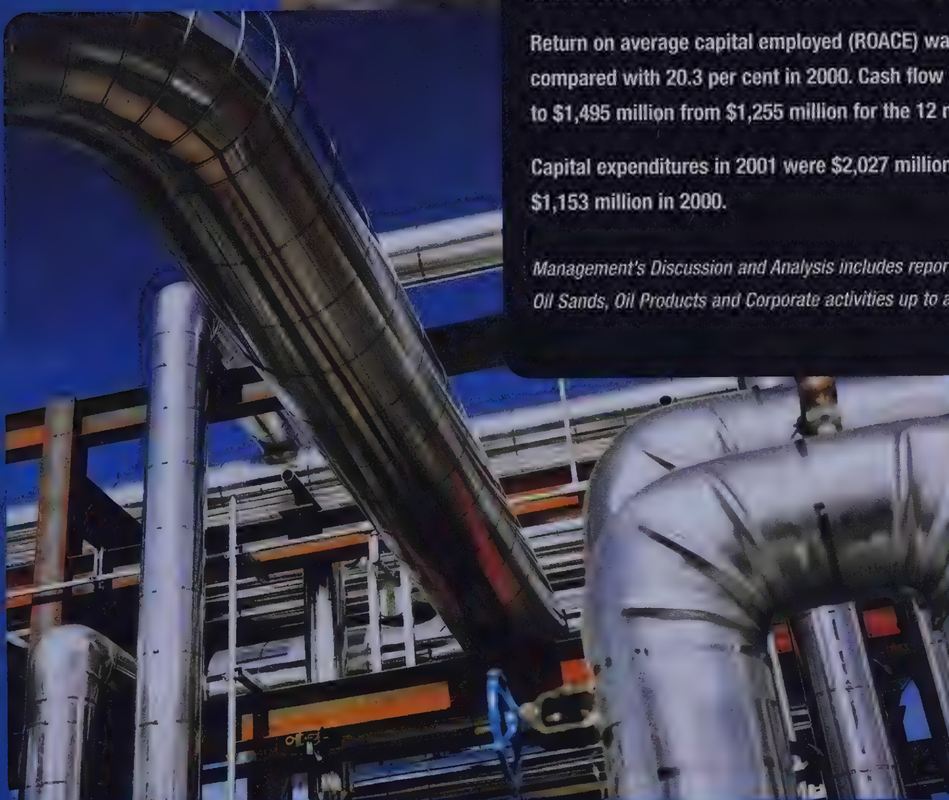
MD&A

Shell Canada's earnings for 2001 were $1,010 million or $3.67 per Common Share compared with earnings of $858 million or $3.04 per share for 2000.

Return on average capital employed (ROACE) was 21.5 per cent in 2001 compared with 20.3 per cent in 2000. Cash flow from operations increased to $1,495 million from $1,255 million for the 12 months of 2000.

Capital expenditures in 2001 were $2,027 million compared with $1,153 million in 2000.

Management's Discussion and Analysis includes reports on Resources, Oil Sands, Oil Products and Corporate activities up to and including page 40.



New wells help to maintain throughput at Shell's Waterton natural gas plant

Resources earnings for 2001 were $600 million compared with $536 million in 2000. The 2001 total included a one-time benefit of $25 million from the impact of a lower provincial tax rate on the Company's future tax liability and a $14 million gain from the sale of a pipeline asset in June. Hedging activities related to natural gas production lowered 2001 earnings by $10 million.

Along with strong commodity prices in the first six months, plant reliability and higher Sable production levels were the main reasons for Resources outstanding performance in 2001. Return on average capital employed was 39.9 per cent, up from 38.7 per cent in 2000. Resources capital and exploration expenditures were $366 million in 2001 compared with $254 million in the previous year.

ECONOMIC CONDITIONS

Natural Gas

Natural gas prices reached record annual average levels in North America for the second consecutive year in spite of a general decline throughout 2001. Shell's average plant gate price rose by 21 per cent to $5.75 per thousand cubic feet (mcf) from $4.74 per mcf in 2000. Prices reached record levels in the first quarter of 2001 as a result of increased demand for gas-fired power generation, a cold winter and limited supply growth. However, the high prices triggered a switch to other fuels and an economic slowdown throughout North America further reduced industrial demand. Together, these factors caused overall demand to fall sharply. As a result, inventories grew significantly and prices declined over the remainder of the year.

Shell sells its 31.3 per cent share of Sable natural gas to power generation and wholesale markets in Atlantic Canada and the northeastern United States. The Company sells its Western Canadian production at Alberta market prices to Coral Energy Canada Inc.

Natural Gas Liquids

Natural gas liquids include ethane, propane, butane and condensate. Early in the year, ethane prices were supported by strong natural gas prices, to which they are closely tied. Ethane is used extensively in the petrochemical industry. So, when petrochemical demand dwindled in the latter half of 2001, ethane demand also declined. Earlier in the year, propane and butane also enjoyed strong market values relative to natural gas prices. By year-end, propane and butane were tracking depressed crude oil and natural gas markets as seasonal inventories exceeded historical levels.

Condensate is used mainly to dilute bitumen and heavy crude oils. Increases in the production of bitumen and heavy crude in 2001 led to higher demand for condensate. As the difference between the economics of producing light and heavy crude oils widened to record extremes by mid-year, bitumen and heavy oil production became less attractive. Eventually production was curtailed. While condensate cost more than light crude oil early in 2001, by year-end, condensate prices fell to the point where it was selling at a discount to light crude.

RESOURCES HIGHLIGHTS

($ millions except as noted)	***2001***	*2000*	*1999*
Revenues	**1 645**	1 600	1 032
Earnings	**600**	536	500
Capital employed	**1 596**	1 408	1 360
Capital and exploration expenditures	**366**	254	488
Return on average capital employed *(%)*	**39.9**	38.7	31.5

Soak radial wells in the foreground share a pad with more traditional wells at the Peace River complex

Ray Woods, Senior Operating Officer, Resources

Waterton complex in the southern foothills of Alberta

The Santa Fé Galaxy II is drilling an exploration well on Shell's Onondaga prospect in the Sable Basin

Resources

Shell's Jumping Pound complex has been operating for 50 years

Crude Oil

Crude oil prices started the year above $29 US per barrel (West Texas Intermediate), then fell steadily ending the year below $20 US per barrel. Overall, a worldwide decline in economic growth weakened prices and OPEC producers prepared to counter with ongoing production cuts to reduce supply. Canadian markets also suffered as light crude oil prices continued to track global market prices.

Sulphur

In 2001, new fertilizer production came on stream in the Far East forcing U.S. producers out of their traditional market. Since the fertilizer industry is the main customer for sulphur, the U.S. market for Canadian sulphur collapsed. However, Shell was able to transfer sulphur sales to Australia and China where it had developed new markets. At the same time, Canadian sulphur producers worked to retain market share in Brazil and South Africa as new sulphur came into the market from the Middle East. Both the collapse of the U.S. market and the influx of Middle Eastern sulphur caused severe price reductions and prompted producers to store product in Canada. At December 31, 2001, in accordance with normal Company accounting practices, Shell wrote down its sulphur inventory to reflect current and expected short-term market conditions.

FOOTHILLS

Shell Canada's operations in the Alberta foothills continued to focus on operational excellence with high reliability, low unit costs and outstanding safety performance. Investment in development opportunities around Shell's infrastructure generated new natural gas volumes in 2001, which offset much of the natural decline in production from mature fields.

Waterton

The Waterton area demonstrated sustained potential for future exploration and development, particularly in the north end. Despite a restricted drilling window due to elk wintering protection, three new wells were ready for testing by year-end. Shell expects the production from these wells to more than offset the effect of sulphur plugging in the north-end reservoirs, which resulted in lower production levels in 2001.

Jumping Pound

Shell drilled three wells in the Jumping Pound area in 2001. Production from these wells, along with growing third-party production, slightly increased Jumping Pound's average throughput over the previous year.

In 2001, the Jumping Pound complex celebrated 50 years of operation by hosting an open house for the surrounding community and plant alumni.

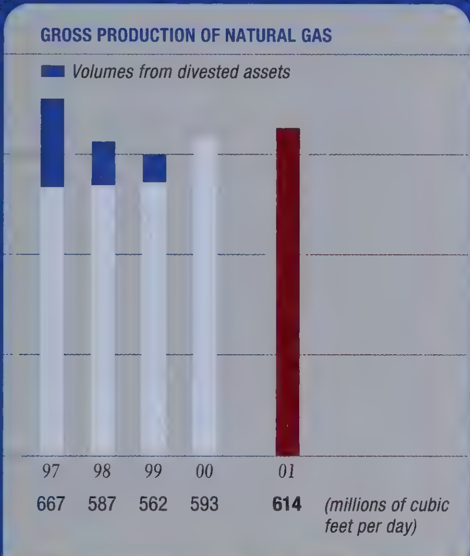
Caroline

The Caroline complex achieved consistently high daily throughput levels in 2001, up to 124 per cent of initial design capacity. A new well drilled in the Caroline field in 2001 helped to maintain plant throughput. However, condensate volumes continued to fall due to diminishing condensate content in the raw gas stream. There are plans to drill another well in 2002 to maintain current production levels.

Caroline continued to work closely with the residents of neighbouring communities and other operators in the area through the Sundre Petroleum Operators Group (SPOG). This group is an effective vehicle for resolving community concerns and providing updates on industry activities. SPOG has become a model for community consultation in Alberta's energy industry.

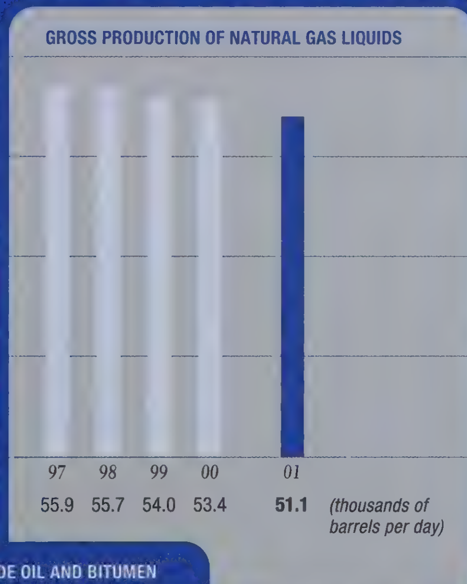
Offshore drilling rig in the Sable Basin

2001



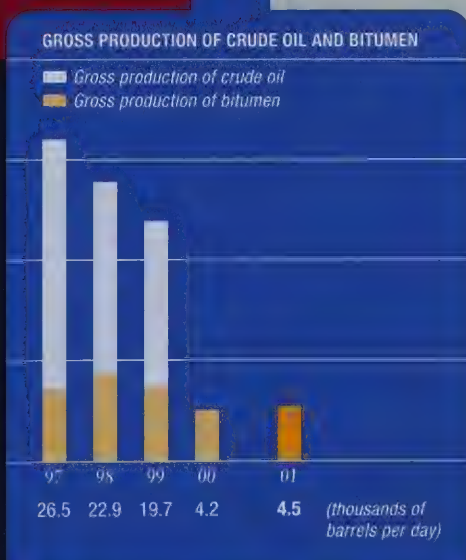
Record volumes from Shell's share of the Sable project and outstanding reliability of the Foothills plants boosted natural gas production

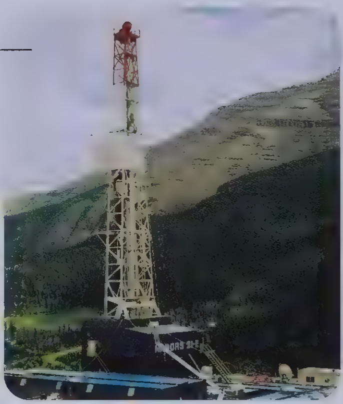
Sable production helped partially to offset the decline in condensate from Foothills plants



Allan Stranaghan, Crane Operator at the Peace River complex

Following asset divestments in 1999, Shell has produced only bitumen





Drilling rig at Yarrow Canyon in Shell's Waterton natural gas field

Exploration

In 2001, Shell increased its Foothills exploration spending to $34 million, acquiring an interest in about 8,600 hectares of land and 530 square kilometres of 3-D seismic. Foothills also participated in five exploration wells, two of which were discoveries at South Mountain Park and South Burnt Timber. These wells are being tied into existing infrastructure.

Limestone

A combination of compression installation and infill drilling increased production rates at Limestone. Annual production volumes are at their highest levels since 1992.

Burnt Timber/Panther

The Burnt Timber plant continued to operate at capacity.

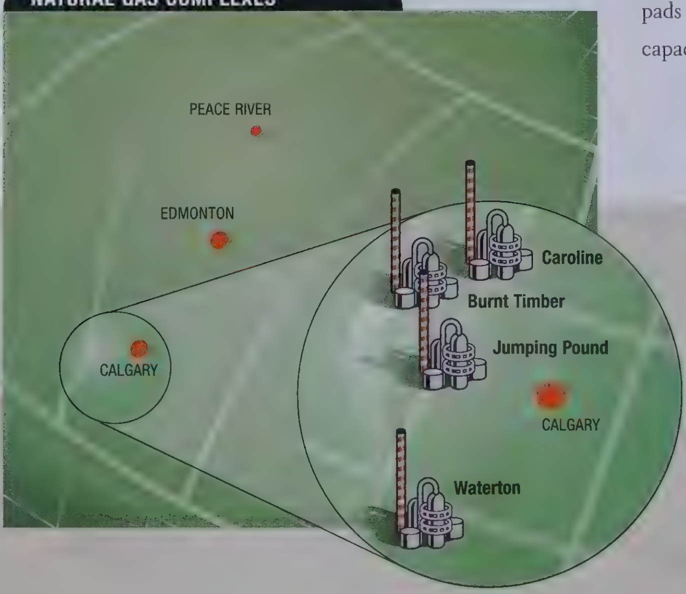
The Company signed a joint venture agreement in 2001 for continuing development of the large potential reserve base in the Panther field. As part of this agreement, Shell conducted a three-dimensional (3-D) seismic survey using advances in global positioning to minimize environmental impacts.

PEACE RIVER

In 2000, Shell embarked on a $50 million investment program to drill 18 soak radial wells at its Peace River in-situ oil sands operation. The wells, which are drilled in pads of eight to 10, began producing in 2001 and production is on track to meet the objectives of the program. Operation of a soak radial well uses a method called "huff 'n' puff," where steam is injected into the reservoir for two months. Later, the hot oil is pumped to the surface through the well's same horizontal arms for six to 18 months. This method creates peaks and valleys in production volumes.

In 2001, Shell announced an extension to the Peace River investment program. The Company will drill two additional pads of wells to continue to fill the plant at its peak licensed capacity of 12,000 barrels of bitumen per day in 2002.

NATURAL GAS COMPLEXES



SHELL OPERATES FOUR NATURAL GAS PROCESSING PLANTS in the foothills of the Rocky Mountains in Alberta. Efficiency and innovative resource recovery methods enable these mature fields to maintain production and help fund the Company's growth projects.

FRONTIER

The Frontier area continues to serve as a platform for growth for Shell Canada.

Sable Project

In its second year of operation, the Sable Offshore Energy Project (SOEP) operated at 97 per cent of its average annual sales gas licensed capacity. Shell's share of sales gas production averaged 155 million cubic feet per day (mmcf/day). SOEP production increased steadily throughout 2001 until, in December, the project set new daily, weekly and monthly sales gas production records.

Two infill wells were drilled in 2001 to improve production flexibility, one in the Venture field and the other in the Thebaud field. Sable now accounts for about 25 per cent of the Company's natural gas production. By year-end, work to ensure maximum recovery of natural gas liquids was nearing completion. In 2002, the Sable project is expected to produce 500 to 550 mmcf/day of sales gas, depending on market availability.

In June, Shell and the other joint-venture participants exercised their "Right of First Refusal" by matching a $40 million offer for Nova Scotia Resources Limited's 8.4 per cent interest in all the Sable infrastructure downstream of the offshore Thebaud platform. Shell's share of the downstream facilities is now 34.2 per cent, while its share of the rest of the project remains at 31.3 per cent.

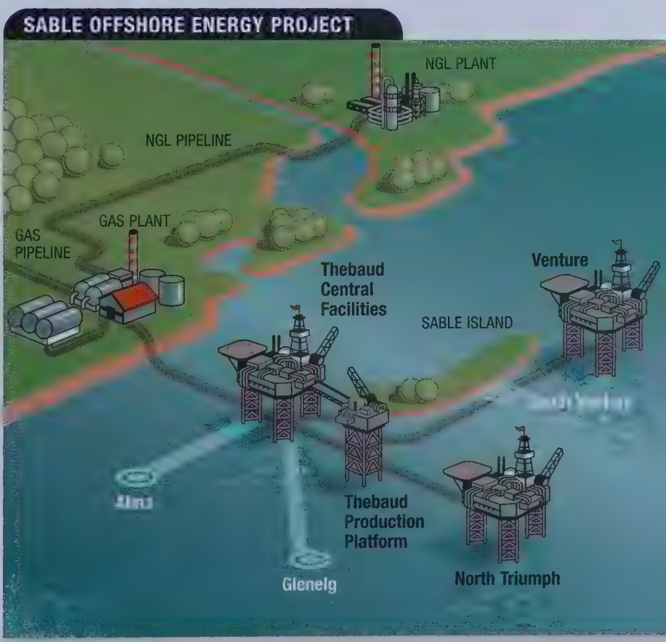
In December, the decision was made to proceed with development of the Alma field. Alma is the first of three Tier II fields to be developed and is expected to start producing in late 2003. The development of Alma and, subsequently, Glenelg and South Venture will allow Sable to maintain its current production rates and could provide an opportunity to increase production in the future.

As a result of Shell's annual review of booked reserves, the Company recorded a reduction to Sable reserves of 0.3 trillion cubic feet (tcf) of sales gas from the original booking of 1.1 tcf. The reduction was based on updated reservoir studies after two years of production experience.

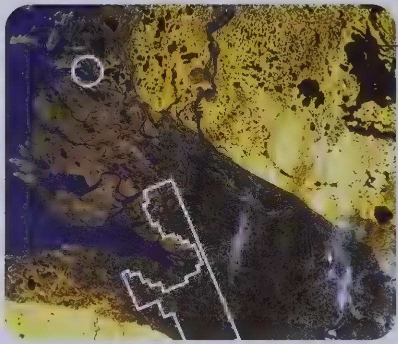
Sable Basin

In January 2001, Shell declared the Adamant exploration well to be dry. Nevertheless, Shell continues to look favourably on the Sable Sub-Basin as a potential source of natural gas reserves.

In November, Shell began drilling an exploration well on its Onondaga prospect. Shell owns 100 per cent of this well and expects to finish drilling in March 2002. Also in November, Shell and another company jointly acquired additional exploration acreage in the Sable Basin for a work commitment bid of $10.5 million, with Shell's share being 50 per cent. This acquisition is consistent with Shell's strategy to pursue other exploration and development opportunities in shallow water outside the scope of the existing Sable project.



SABLE NATURAL GAS FACILITIES and offshore fields include Tier II development opportunities.



In the Mackenzie Delta, Shell's exploration license area lies south of its proposed Niglintgak development

Deep Water

Shell and its joint venture associates completed a 3-D seismic survey on their deep water acreage south of Sable Island in 2001. Shell is the operator of several blocks in this area and is moving forward with the preparatory work required to drill a deep water exploration well in 2003.

Mackenzie Delta

Shell and other members of an industry producers' group completed an initial feasibility study to examine the possibility of developing their natural gas reserves in the Mackenzie Delta, Northwest Territories. In October, the Mackenzie Valley Aboriginal Pipeline Corporation signed a Memorandum of Understanding for participation in the associated Mackenzie Valley pipeline project. The signing signalled support from a key stakeholder group. In January 2002, the producers' group announced its intention to file a full regulatory application for the project in 2003. A favourable business climate and viable project economics could lead to a commitment to develop the project as early as 2005.

A 2-D and 3-D seismic program got under way in the winter of 2000/2001 on an exploration land parcel in the Mackenzie Delta acquired by Shell in 2000. The survey will be completed early 2002, with a decision on exploration drilling to follow.

EXPLORATION PROGRAM COSTS

Shell's exploration program in 2001 totalled $112 million compared with $75 million in 2000. Exploration activities again focused on seismic and drilling programs in the foothills of Alberta, and on selective plays offshore Nova Scotia and in the Mackenzie Delta.

SUSTAINABLE DEVELOPMENT

By the end of 2001, all of Shell's Foothills plants and its Peace River complex had achieved third-party accreditation of their environmental management systems under ISO 14001. In addition, the Company became the first major integrated oil and gas company in Canada to have its well construction and geophysical operations group ISO 14001 registered.

LOOKING FORWARD

Resources strategy, which is directed towards continued leadership in profitability and profitable growth, is to:

- Focus on maximizing profit and cash flow through operational excellence and selective natural gas exploration and development opportunities in the Foothills area;
- Grow Shell's existing business in the Sable Basin and at Peace River, Alberta, while pursuing future opportunities in the deep water offshore Nova Scotia and in the Mackenzie Delta;
- Pursue new business opportunities and innovative technology;
- Contribute to sustainable development through a focus on safety and management of all environmental impacts with open public consultation.

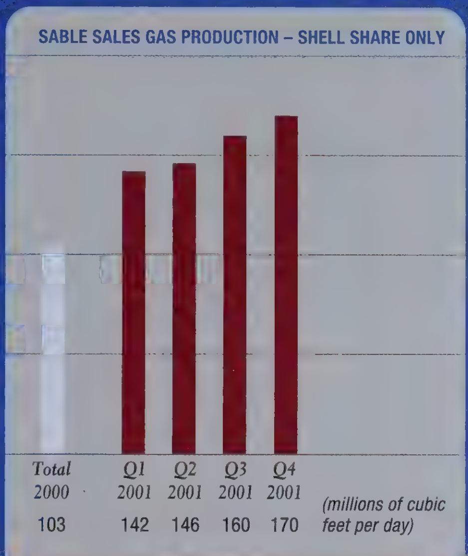
2002 CAPITAL AND EXPLORATION INVESTMENT

Resources plans to spend $511 million on capital investments in 2002 compared with $366 million in 2001. Plans are to continue investing in the Frontier areas, the Foothills and Peace River.

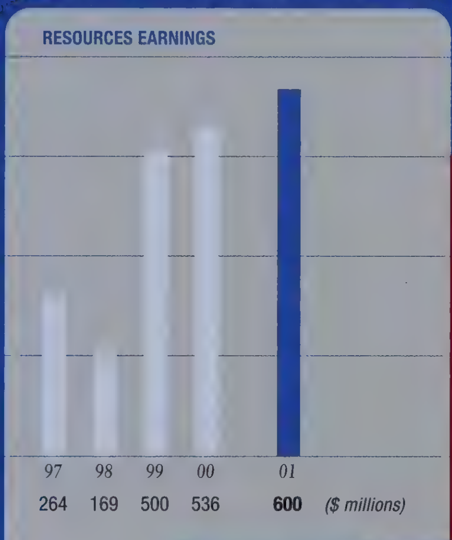
In the Frontier, $257 million of planned investment will allow for the next stages of development of the Sable project as well as continued activity on the Nova Scotia slope and in the Mackenzie Delta. At the same time, a budgeted investment of $186 million will support exploration and development in the Foothills. Resources plans to invest an additional $54 million at Peace River with a view to keeping the plant filled in 2002. The balance of the spending program relates to marketing and information technology.

2001

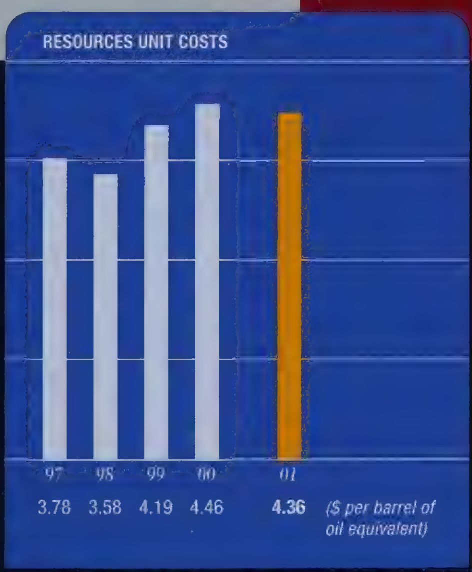
Robert Strachan, Lead Operator II at the Peace River complex



Exceptional reliability and low unit costs at the Foothills gas plants plus higher Sable production contributed to record upstream earnings



Sable production grew steadily over 2001, setting new records in the fourth quarter



A continued focus on operational excellence resulted in sustained low unit costs

Drilling for sour gas in Shell's Waterton natural gas field

PROFITABLE GROWTH

Construction of the tailings pumphouse at the Muskeg River mine site

Construction of the Athabasca Oil Sands Project (AOSP) made good progress in 2001. The AOSP is a joint venture between Shell Canada Limited (60 per cent), Chevron Canada Limited (20 per cent) and Western Oil Sands L.P. (20 per cent), and comprises:

- The Muskeg River mine and extraction plant located on Lease 13, 75 kilometres north of Fort McMurray, Alberta;
- The Scotford upgrader adjacent to Shell's Scotford refinery, north of Fort Saskatchewan, Alberta;
- A hydrogen manufacturing unit (HMU) at the Scotford upgrader, being built by the joint venture under a capital lease arrangement.

Other commercial parties are building facilities related to the AOSP, including:

- The Corridor pipeline, which will carry diluted bitumen from the mine to the upgrader and return recycled diluent to the mine. Corridor Pipeline Limited, a wholly owned subsidiary of BC Gas Inc., is making this investment;
- The ATCO Pipelines' natural gas pipeline to the mine; and
- ATCO Power's cogeneration facilities at the mine and upgrader.

Shell is also making modifications to its existing Scotford refinery, owned 100 per cent by Shell Canada Products.

At full production, the Muskeg River mine will produce 155,000 barrels per day (bpd) of bitumen. The operation will use new bitumen cleanup technology to make the most of the efficiencies offered by hydrogen addition technology used in the upgrading process. Albian Sands Energy Inc., a company formed by the joint venture, is building and will operate the mine and extraction plant.

The upgrader, to be operated by Shell Canada, will produce 190,000 bpd of synthetic crude oil. The upgrading process will incorporate the addition of hydrogen to increase yield and product quality. The Scotford refinery will process about half of the crude oil produced by the Scotford upgrader to make high-grade gasoline and other products for the Alberta market. Together, Albian Sands and the upgrader will employ about 1,000 permanent employees.

The AOSP and related facilities will also yield significant long-term benefits for all Canadians. The project will:

- Produce about 10 per cent of Canada's oil supply, and the integration of mining, upgrading and refining will allow the majority of production to remain in Canada;
- Supply the equivalent of one-third of Alberta's gasoline requirements. This gasoline will meet the most stringent of North American standards;
- Cost a total of almost $7 billion to build. Over 80 per cent of the total dollars will be spent in Canada, more than half of which will be spent in Alberta;
- Generate more than $5 billion in royalties and taxes over the life of the project;
- Add important new infrastructure to Alberta's energy sector, including the only black oil pipeline from Fort McMurray to Edmonton, the only return pipeline for diluent, a new natural gas pipeline and more than 300 megawatts of natural-gas-fired power generation.

Neil Camarta,
Senior Vice President, Oil Sands

One of six heavy pressure vessels at the Scotford upgrader

A heavy haul truck moves overburden at the Muskeg River mine site

One of two primary separation cells nearing completion at the Muskeg River mine site

Oil Sands

Ian Grimsgaard, Project Engineer in Oil Sands Jackpine mine group

In addition, the AOSP has set a goal of cutting its carbon dioxide (CO_2) emissions by half, thus producing less CO_2 than the imported oil the project displaces. The Shell Canada Climate Change Advisory Panel, which comprises representatives from Shell Canada, Shell International, local communities, and national and international environmental organizations, is helping the project to meet its CO_2 reduction target.

Also in 2001, the AOSP team initiated the regulatory process necessary for the potential expansion of the Muskeg River mine as well as the proposed new Jackpine mine and extraction plant on another part of Lease 13.

Donna Dombowsky, Operations Coordinator of the residue hydro-conversion unit at the Scotford upgrader

PROJECT COSTS

In November 2001, Shell announced a revision to its cost estimate for the AOSP to $5.2 billion. The revised estimate includes the Muskeg River mine and extraction plant, the Scotford upgrader and the hydrogen manufacturing unit, originally estimated to cost $3.8 billion. The cost estimate for related modifications to Shell's Scotford refinery has risen to $450 million from the original $400 million. As a result of these changes, Shell's share of project costs is now forecast to total $3.6 billion, up 33 per cent from the original estimate.

Cost increases are partly due to detailed engineering definition, changes in scope to improve operating reliability, and higher material and energy costs. However, the main reason for upward pressure on project costs was the high level of construction activity in the oil and gas industry. Labour availability was a significant challenge in 2001 and productivity fell below the levels assumed in original estimates. But with the recent completion of other industry projects, labour availability improved towards the end of the year. In general, the AOSP anticipates an adequate supply of workers in 2002, although there may still be pressures on specific crafts. Shell's revised cost estimates assume improvements in both labour availability and productivity over the balance of the project. A comprehensive program is under way to contain project costs and minimize potential delays.

Dave Boucher, Operations Manager of Fort McKay General Contracting

STATUS TO THE END OF 2001

By the end of 2001, some 11,000 people were working to build the AOSP. Their attention to safe work practices resulted in the achievement of unprecedented safety milestones. The project celebrated more than 12 million hours without a lost-time incident, which is the best ever performance by a construction project in Alberta. This performance resulted in a lost-time frequency rate for the AOSP five times better than the Alberta oil sands industry average.

The mine's detailed engineering was finished and construction was 70 per cent complete at the end of 2001. Construction of the primary separation cells, piping modules, water intake and rotary breakers was completed. The mine team and the North American Construction and Fort McKay First Nation alliance finished dyke construction five months ahead of schedule.

At the upgrader site, welding was completed on the heavy reactors and all reactor vessels were successfully lifted onto their foundations in May. The piping module program, which involved all interconnecting pipeways through the facilities, was completed within 2001. By the end of 2001, the upgrader's detailed engineering was essentially complete and construction was 50 per cent complete.

Operations teams at both the mine and upgrader sites were also busy throughout 2001. To date, Albian Sands and the Scotford upgrader have each hired about 200 permanent staff. The diluent tanks were put into operation and first diluent placed into tank storage in October. Operating staff at both locations are in the process of identifying all systems, preparing the necessary documentation and working out details to move from construction to operations.

Shell's share of capital expenditures in 2001 was $1,313 million for the mine and upgrader, and $181 million for the Scotford refinery modifications.

The AOSP also made significant progress on commercial arrangements. Construction of ATCO Pipelines' natural gas pipeline, which will provide fuel to the cogeneration facility, was completed and ready for start-up early in 2002. All necessary regulatory approvals were obtained for the Corridor Pipeline including the Clearwater River crossing. The pipeline pumping station and facilities were 70 per cent complete by the end of 2001 and remain on schedule.

Construction of the crusher unit and conveyor belt at the Muskeg River mine site

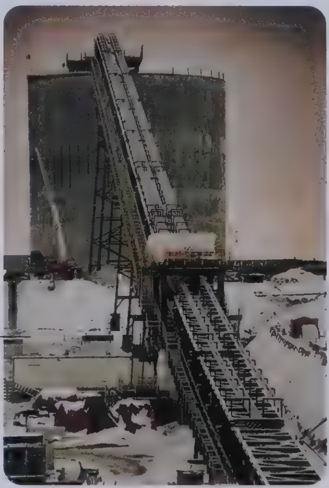
Bambi Flett, Process Operator at the Scotford upgrader

SUSTAINABLE DEVELOPMENT

Shell is working hard to ensure that the project integrates social and environmental responsibility with profitability. To do so, Shell has made the principles of sustainable development integral to the planning and development process.

Building Sustainable Economic Development: Delivering on the Plan

Under the Fort McKay Community Business Alliance signed in 1998, Shell and Albian Sands have worked with the community's aboriginal businesses to identify sustainable, competitive contracting opportunities. Since 1999, Fort McKay businesses have earned more than $25 million dollars in contract revenue. In addition to construction site services such as emergency first aid, janitorial, and road maintenance, Fort McKay has also developed its business capacity in reclamation and muskeg stripping, dyke and mine haul construction, and granular haulage. These activities position the community businesses for long-term success within Albian Sands' mining operations and within the industry as a whole.



Conveyor belt and ore silo at the Muskeg River mine site

Building Sustainable Relationships: Meeting Our Commitments

Shell and Albian Sands continue to play an important role on regional, multi-stakeholder committees that support monitoring of cumulative environmental and socio-economic impacts. Representatives from both companies co-chair the Cumulative Effects Management Association (CEMA), which is a forum of regional stakeholders. The CEMA facilitates discussions and makes recommendations to Alberta Environment's Regional Sustainable Development Strategy on managing cumulative effects from a regional perspective.

Building Sustainable Growth: A New Way of Listening

Shell initiated a series of Issue Forums with respect to the Jackpine mine public consultation process. These forums are a means to discuss issues of importance to the communities of the Wood Buffalo region and to encourage the local, direct participation of individuals and organizations such as Metis youth and local business owners. The information gathered from these forums helps Shell to make better decisions and action plans to minimize the effects of its operations while maximizing the benefits to the region.

LOOKING FORWARD

Bitumen production is targeted to begin late in 2002, but there is a possibility that start-up of synthetic crude units could slip into early 2003. The AOSP is renewing its already strong focus on start-up planning and integration to offset the impact of potential construction delays on production levels in 2003.

The joint venture owners of the AOSP are also evaluating potential long-term development opportunities related to Shell's substantial oil sands resources in the Athabasca area. Shell is leading the evaluation.

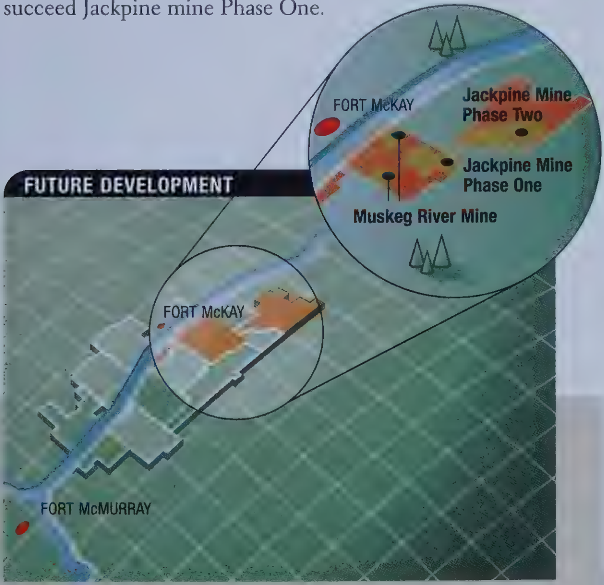
Judy Smith, Environmental Manager, Oil Sands

Opportunities for long-term development include:

Muskeg River Mine Optimization and expansion of Lease 13 West and Lease 90 to bring total production up to 225,000 bpd of bitumen from the current design of 155,000 bpd. This development would likely take place some time between 2005 and 2010.

Jackpine Mine Phase One A new stand-alone mining and extraction facility located on the eastern portion of Lease 13 with a production capacity of approximately 200,000 bpd of bitumen. This phase of development would follow expansion of the Muskeg River mine.

Jackpine Mine Phase Two Additional resources located on Leases 88 and 89 could be mined to extend the life of the overall development and allow for future production growth of approximately 100,000 bpd. This development phase would succeed Jackpine mine Phase One.



LOCATION OF THE PROPOSED EXPANSION of the Muskeg River mine and potential Jackpine mine (two phases).

These developments would depend on a number of factors, including market conditions, economic viability of the project, ability to meet Shell's sustainable development goals and the outcome of the respective regulatory processes.

Bitumen from new developments or expansion could be transported by pipeline to the Edmonton area and/or North American markets. Proximity with the AOSP would allow any future growth to use existing commercial arrangements for pipelines and other infrastructure. Shell is evaluating a number of options to upgrade the bitumen, including expansion of the Scotford unit.

CAPITAL INVESTMENT

Shell has planned capital expenditures of $889 million for its share of the joint venture project and $102 million for related modifications to Shell's Scotford refinery in 2002.

Select stores meet the needs of Shell's customers for convenience products and services

Oil Products outperformed all its major competitors in 2001 with earnings of $401 million compared to $340 million in 2000. Strong refining margins combined with a continued focus on business basics and operational excellence contributed to record results for the second consecutive year. Total earnings included $8 million from the impact of lower provincial tax rates on the Company's future tax liability.

Return on average capital employed for Oil Products increased to 22.2 per cent from 19.6 per cent in 2000. The 2001 capital expenditures were $343 million, including $181 million for Scotford modifications, compared with $279 million the previous year.

Throughout the first six months of 2001, manufacturing margins remained high as strong demand for gasoline and diesel fuels in North America depleted inventory levels. Manufacturing margins decreased in the second half of the year as a weakening economy reduced demand and inventory levels increased. Oil Products capitalized on favourable market conditions by controlling costs and improving reliability.

OIL PRODUCTS HIGHLIGHTS

($ millions except as noted)	***2001***	*2000*	*1999*
Revenues	**6 240**	6 740	4 480
Earnings	**401**	340	141
Capital employed	**1 789**	1 818	1 651
Capital expenditures	**343**	279	109
Return on average capital employed *(%)*	**22.2**	19.6	8.2

Due to the fiercely competitive marketplace, marketing margins remained depressed despite some improvement in the second half of the year. Although higher energy-related expenses nudged total unit operating costs up by four per cent, they remained the lowest of Shell Canada's competitors at 4.9 cents per litre.

MANUFACTURING, SUPPLY AND DISTRIBUTION

In an independent benchmarking survey conducted every two years, Shell Canada maintained its position as a first quartile performer in the key areas of non-energy costs and operational availability. The 2000 survey again ranked Scotford refinery as best-in-class, while both the Montreal East and Sarnia refineries registered improvements.

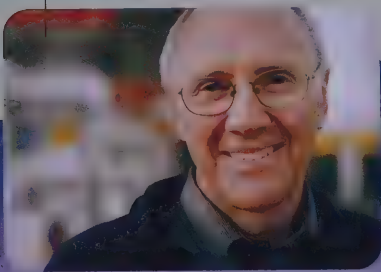
Oil Products Distribution improved its profitability by taking advantage of lowest cost supply sources throughout the network. Annual throughputs at all Company-operated distribution terminals grew while Shell permanently reduced its base level of finished product inventories. Oil Products terminal operating costs remained in the first quartile of North American benchmarking studies.

REFINERIES

Montreal East refinery showed improvements in operational availability over 2001. The plant continued to extract the maximum value from its operations through optimization of crude oil selection and high utilization of conversion capacity.

Sarnia refinery maintained a good safety performance in 2001. Operational availability improved and refinery yields showed gains over 2000, particularly in the second half of the year. In 2001, a significant portion of Sarnia's crude oil supply came from the North Sea through the recently reversed Line 9 pipeline.

Tim Faithfull,
Senior Operating Officer,
Oil Products



Shell retail site in Brampton, Ontario, displays the latest in convenience retailing offers

Brian Scott, Senior Operator at Sarnia refinery

Construction of the residue hydro-conversion unit at the Scotford upgrader

Oil Products

Rosemary Ottembrajt is a valued customer at a Shell Select™ store in Brampton, Ontario

Scotford refinery recorded excellent reliability despite an unplanned shutdown in May caused by equipment failure. Scotford faced some interruptions in synthetic crude oil supply throughout 2001. The refinery's safety record continued to meet high standards during intense construction activity on the Scotford modifications associated with the Oil Sands upgrader.

Overall, Shell Canada's three refineries performed exceptionally well, making the most of the prevailing high refining margins.

PRODUCT REFORMULATION

Construction of two gasoline hydrotreaters at the Sarnia and Montreal East refineries began in 2001 and remains on schedule for start-up in early 2003. The hydrotreaters, which will cost about $150 million in total, are the largest projects at those facilities in more than a decade. They will enable the refineries to meet federal regulations on sulphur content in gasoline. The new regulations require Canadian refiners to produce and sell gasoline with an average 150 parts per million (ppm) of sulphur between July 1, 2002 and January 1, 2004, falling to 30 ppm by January 1, 2005. Product from Shell's Scotford refinery already meets the new specifications. Planning is under way to meet new federal regulations for the sulphur content of automotive diesel fuel, which must be reduced to 15 ppm from 500 ppm by June 2006.

RETAIL

The retail gasoline market continued to be highly competitive. Non-traditional supermarket retailers increased their market penetration. Shell's share in the major urban markets declined to an average of 18.6 per cent from 18.8 per cent in 2000.

Marketing margins recovered slightly from the compressed levels of 2000. During the first six months, competitive pressures made it difficult to recover from consumers the full amount of escalating crude oil and wholesale costs. As wholesale prices fell during the third quarter, retail margins improved to more traditional levels. However, with higher average prices at the pump, customers switched to lower-grade gasolines, reducing overall margin available from petroleum products.

Retail Network

Continued closure of lower performing assets and redevelopment or upgrading of existing locations maintained Shell's network efficiency. Retail completed 35 image conversions including nine Couche-Tard stores in Quebec and rebranding of four private-brand sites. There were 1,935 Shell retail sites at year-end, including 178 private-brand sites. This compares to 1,940 Shell retail sites at the end of 2000, of which 200 were private-brand sites. Average annual throughput at Shell- and private-brand sites increased marginally to 3.82 million litres per site in 2001 compared with 3.79 million litres per site in 2000.

NON-PETROLEUM PRODUCTS AND SERVICES

Improvements in both the Select™ foodstore and car wash networks resulted in a 12.5 per cent increase in margins from the marketing of convenience products and services over 2000. Expanded use of point-of-sale scanning equipment at key food store locations provided greater convenience to the customer, enhanced product and promotion tracking, and improved pricing and inventory accuracy.

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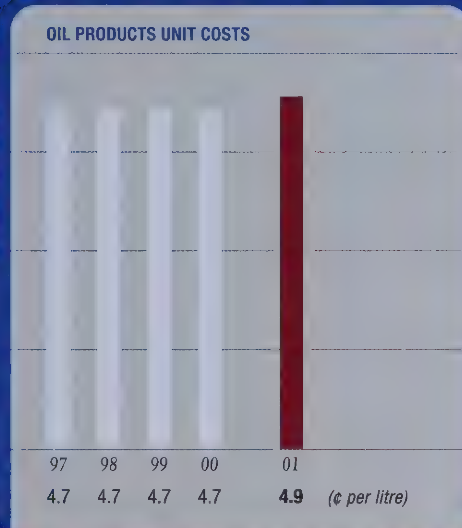
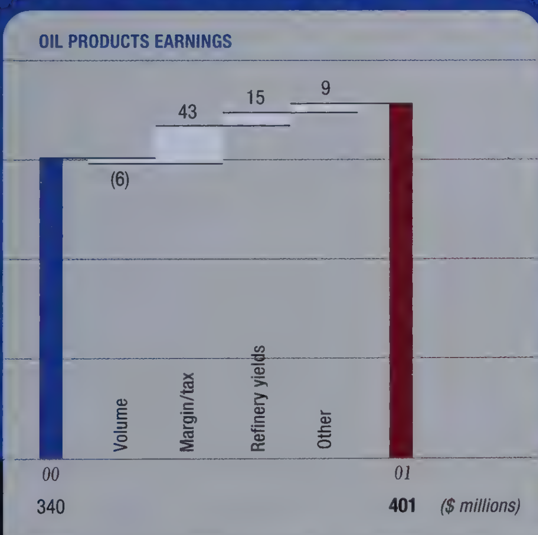
2001

Shell Optimax Gold™ premium gasoline was launched in 2001



Improved refinery yields and margins contributed to the earnings increase over 2000



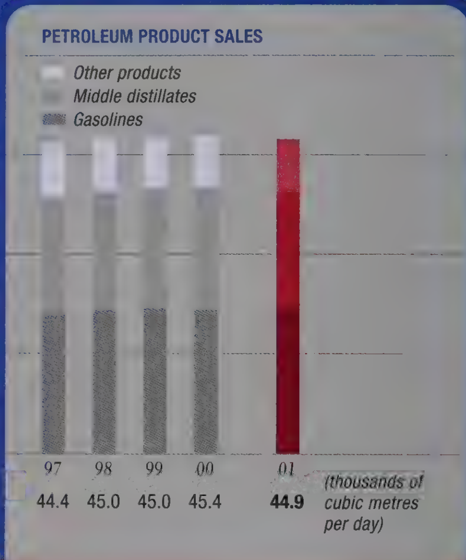
Higher energy-related expenses returned unit costs to 1996 levels

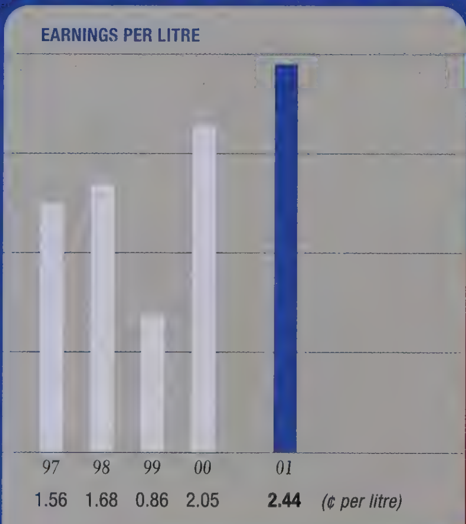
Shell launched easyPAY™ in major cities across Canada to offer superior convenience with new payment technology

Brian McKay, Senior Analyst at Sarnia Refinery's laboratory

2001

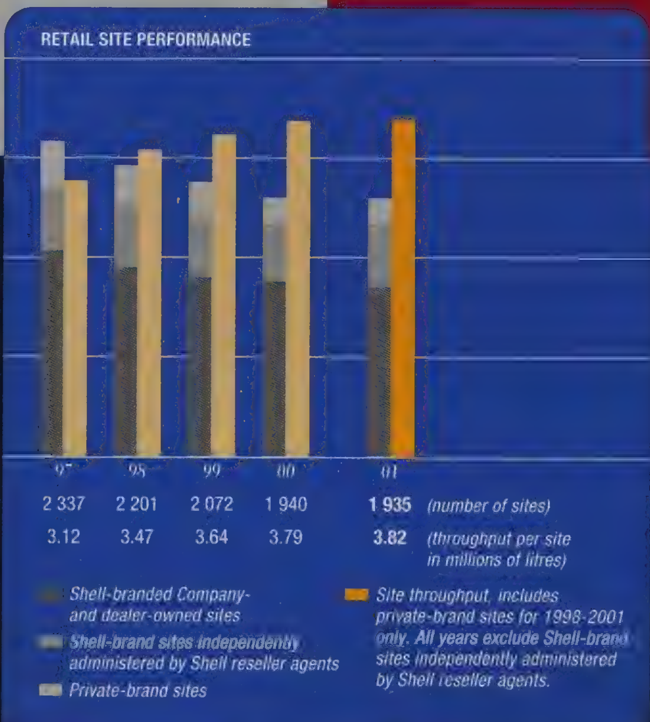
Shell strives to give the best possible service to customers like Kathleen Strachan of Brampton, Ontario





Petroleum product sales weakened slightly due to intense competition and higher prices

Strong refining reliability and wholesale pricing contributed to a 19 per cent increase in earnings per litre



Java Café is one of Shell Canada's signature products available through its Select™ stores

Network rationalization and Retail's image standard continue to boost site throughput

Tina Lambert, Customer Service Representative in the Aviation department of Shell's Commercial business

CUSTOMER FOCUS

In February 2001, Shell became the first gasoline retailer to introduce easyPAY™ payment technology in Canada, expanding the Calgary pilot program into Vancouver, Edmonton, Toronto, Ottawa and Montreal. The technology allows consumers to fill up at participating sites by presenting their easyPAY key tag, which is programmed to cross-reference with the customer's credit card and AIR MILES® information, to the easyPAY symbol on the pump. Purchase tracking has shown improved brand loyalty as easyPAY customers increased their purchases at Shell sites.

In April 2001, the Company also launched a new premium gasoline to more than 1,700 branded retail locations. The introduction of Shell Optimax Gold™ contributed to an increase in Shell's share of premium gasoline sales relative to the Company's Canadian competitors.

To meet the growing demands of diesel vehicle operators, Shell also introduced UltraDiesel™ at 220 Shell, Turbo and PayLess stations across Canada. UltraDiesel's enhanced cleaning, protection and performance advantages over regular diesel attract a strong following from operators of diesel vehicles.

Now in its ninth year, Shell's participation in the AIR MILES® reward program continues to grow in popularity with customers. The Company links AIR MILES® rewards to growth initiatives like the launches of Shell Optimax Gold, easyPAY and convenience retailing programs.

AIR MILES® rewards, easyPAY, Optimax Gold and UltraDiesel have positioned Shell as a leader in the industry.

® *Trademark of AIR MILES International Trading B.V. Shell Canada Products Limited and Shell Canada Products are authorized users.*

COMMERCIAL

Shell's Commercial business sells branded products to the agricultural, industrial, transportation, resource-based and home-heating sectors, and unbranded product to commercial distributors and other gasoline retailers. Volatile crude oil and wholesale prices throughout 2001 reduced margins across the commercial business.

In 2001, the Commercial business restructured to provide greater focus on sales and operational performance. Its redesigned business processes, which result in lower transaction costs, will give targeted customers improved access and ease of service with more competitive pricing. Shell also introduced a North American commercial card, which increases fuelling options for fleet customers and gives them access to more than 2,000 locations in the United States.

Brockville lubricant plant produces more passenger car motor oil than any other blending facility in Canada

BULK PLANTS AND CARDLOCKS

Average annual throughput at Commercial bulk plants increased by 20 per cent as a result of continued network restructuring. Rationalization reduced the number of bulk storage sites to 48 from 62 and the number of ACCESS cardlock facilities to 99 from 101.

AVIATION

Aviation fuel sales volumes grew by three per cent in 2001 compared with 2000 despite the lingering effects of terrorist action in the United States in September and an overall slowdown in economic activity. During these difficult times, Shell continued to work with its airline customers to help support the ongoing viability of their businesses.

Shell also entered into a supply and storage agreement for aviation fuels, which allowed the Company to rationalize its assets while continuing to service its customers.

LUBRICANTS

Production at the Brockville lubricant plant again improved in 2001 largely due to an increase in blending and packaging contracts with third parties. The plant now produces more passenger car motor oil than any other blending facility in Canada and has significantly improved its cost competitive position against external benchmarks.

INDUSTRIAL SERVICES

Industrial Services began marketing a total fluid management and maintenance consulting service aimed at reducing operating costs and improving process productivity for large customers. Industrial Services signed contracts with two major customers and a Memorandum of Understanding with a third in the automotive component manufacturing sector. The department will pursue expansion across various industrial sectors in 2002.

SUSTAINABLE DEVELOPMENT

All of Oil Products major facilities – Scotford, Sarnia and Montreal East refineries, the Calgary lubricants and grease plant and the Brockville lubricant plant – have been registered under the ISO 14001 standard for environmental management systems.

Oil Products continued its commitment to community engagement. At the national level, Shell donated fuel to the Hope Air program, which flies those in need to medical care outside their communities. At the provincial level, in the second year of a three-year association, the Company donated $25,000 from sales of gasoline and Nautilus marine lubricant on Vancouver Island to the Pacific Salmon Foundation of British Columbia. The 2001 donation brought Shell's contribution to date to $60,000. At the local level, Shell also contributed $60,000 towards the completion of the St. Clair River Trail Talfourd Creek footbridge adjacent to the Sarnia refinery. The trail is for the use of pedestrians, cyclists and in-line skaters. And in Strathcona County, near the Scotford refinery in Alberta, Shell planted 100,000 white spruce and lodgepole pine trees.

LOOKING FORWARD

Oil Products goal continues to be a sustained 15 per cent return on average capital employed. Achievement of this goal will come from a strong focus on operational excellence, differentiated branded offerings and convenience, continuing profitable growth from selective investments and margin growth. The latter will be available to Shell from the Oil Sands feedstock advantage afforded by the integration of the Oil Sands upgrader and Scotford refinery. In 2002, Scotford refinery's largest ever turnaround will take place with the tie-in of the Scotford modifications. First production of synthetic crude oil will follow. Also in 2002, the Sarnia and Montreal East refineries will undergo major turnarounds.

Oil Products strategies for 2002 support profitability and growth. They include:

Manufacturing, Supply and Distribution

- Continuing emphasis on safety performance;
- Maintaining first quartile performance in operational availability;
- Improving the efficiency and yields at the Sarnia and Montreal East refineries;
- Leveraging new technology like the instrumentation digital control system at Sarnia refinery to improve yields and efficiency;
- Maximizing benefits from new Oil Sands upgrader feedstocks at the Scotford refinery;
- Delivering the gasoline hydrotreater projects in Sarnia and Montreal East refineries on time, to support Shell's compliance with the new low-sulphur gasoline specifications.

Shell Optimax Gold

The Shell retail site at the corner of Yonge Street and York Mills in Toronto, Ontario

Retail

- Increasing gasoline market share by differentiating the Shell brand with premium fuel offers;
- Continuing the growth of convenience retail revenue to improve the margin resilience of the business;
- Further restructuring the core retail network to improve average site throughput and lower unit costs.

Commercial

- Reducing unit costs while providing relevant, valued customer service;
- Enhancing customer focus by increasing commercial branded sales and market share across the agricultural, commercial and industrial sectors;
- Expanding Industrial Services sales penetration into various industry sectors;
- Dedicating a sales force to service the needs of global Shell customers in Canada.

CAPITAL INVESTMENT

Oil Products has planned capital expenditures of $358 million in 2002, an increase from the $343 million spent in 2001. Of the total $358 million, $204 million is designated for growth and profitability projects, and $48 million to support the asset integrity of existing facilities. The remaining $106 million will enable Shell to meet new sulphur content specifications for gasoline and comply with other environmental requirements. Oil Products will apply strict capital discipline and flexibility in executing this plan. The business unit is prepared to modify the plan if changing economic conditions make it necessary to do so.

The profitability of Shell's Foothills natural gas plants supports investment in growth projects

Shell's Corporate earnings were $9 million for 2001 compared with expenses of $18 million in 2000. The difference mainly relates to lower net financing costs and interest income earned on prior-period tax assessments.

FINANCING ACTIVITIES

Non-operating cash expenditures in 2001 totalled $2,738 million, comprising $2,070 million of cash invested, dividends of $220 million and long-term debt retirement of $448 million. Funding came from cash from operations, short-term financing and cash holdings. At the end of 2001, Shell had $212 million of commercial paper outstanding. In the fourth quarter, the Company sold the remaining $150 million in trade receivables under its $350 million accounts receivable securitization program that was approved by the Board of Directors in November 2000.

In 2001, Shell did not purchase any of its Common Shares for cancellation. In 2000, the Company purchased 14,390,609 shares at a total cost of $490 million under two separate share buy-backs. Shell paid dividends of $0.80 per Common Share in 2001 compared with $0.76 in 2000. Total shareholder return, which equals share price appreciation plus dividends, was 19.2 per cent against 36.5 per cent in 2000.

Shell is well positioned to finance future capital spending programs. Debt at the end of the year amounted to $333 million. Cash flow from operations will continue to be a major source of funding for capital expenditures. Additional funding is available under the Company's short-term commercial paper program. The upper limit of this facility was increased by $500 million to $1,250 million effective early 2002. Late in the year, Shell filed a shelf prospectus, which will enable the Company to issue up to $500 million of medium-term notes. The Company raised $250 million under this prospectus early in 2002. Shell's financial strength is reflected in its continuing high credit ratings with Canadian credit rating agencies.

ACCOUNTING STANDARD

A new accounting standard was issued November 2001 applicable to years beginning on or after January 1, 2002. This standard eliminates the deferral and amortization of foreign exchange gains or losses arising from the translation of long-term debt and other similar monetary items into Canadian dollars. The Corporation will adopt this new standard in 2002. At December 31, 2001, the Company did not have any such monetary items.

RISK MANAGEMENT

Shell uses various techniques to manage uncertainty resulting from events or activities that may create safety, environmental or financial exposure. Areas presenting significant risk to Shell are project execution, operations, marketing, exploration and development, finance, and health, safety and sustainable development.

Project Execution

The risks associated with any project may result from factors outside Shell's control, such as the cost of materials, productivity, availability of resources and foreign currency fluctuations if procurement outside of Canada is necessary. To manage these risks, Shell Canada builds flexibility into its project plans. The Company also identifies project objectives and critical success factors, then measures progress toward targets and takes steps to achieve them.

Steinar Støtvig,
Chief Financial Officer

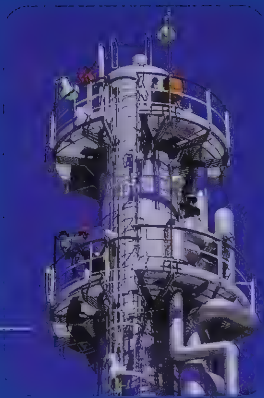
The new Scotford upgrader, under construction, adds tremendous value to Shell's Athabasca Oil Sands Project

The Athabasca Oil Sands Project is the largest investment in Shell's history

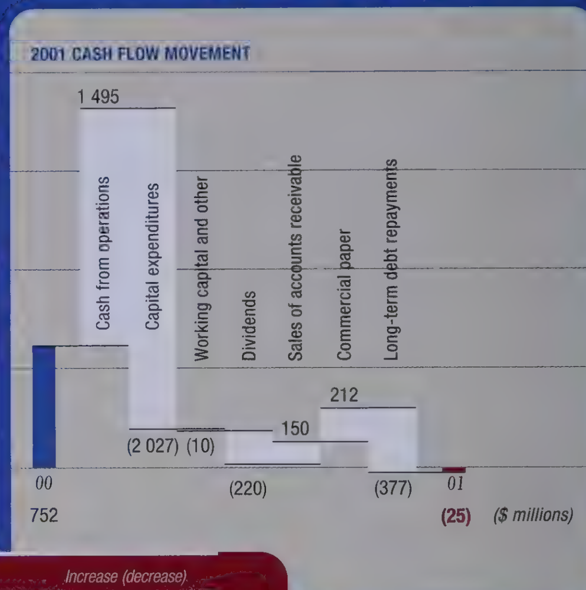
Thebaud production facilities are part of the Sable project offshore Nova Scotia

Corporate

2001



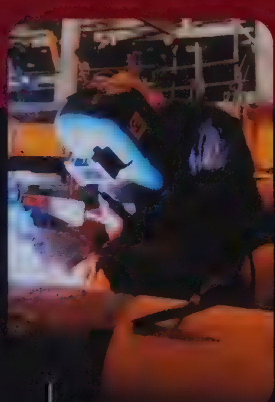
The efficiency and yields from Shell's three refineries contribute to the Company's profitability



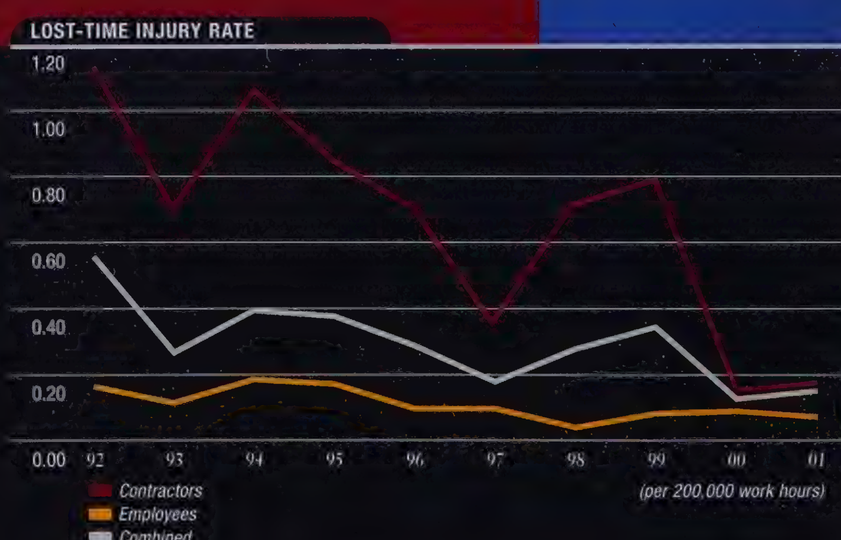
Cash flow from operations and short-term borrowing financed Shell's investment activities

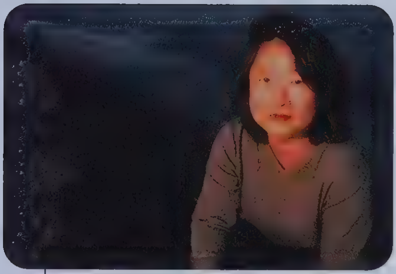
OPERATING EARNINGS SENSITIVITIES *(after-tax)*

		Increase (decrease)
Natural gas *(Henry Hub)*	10-cent US increase per million Btu	$ 13 million
Condensate *(West Texas Intermediate)*	$1 US increase per barrel	$ 4 million
Bitumen *(West Texas Intermediate)*	$1 US increase per barrel	$ 2 million
Sulphur	$1 Cdn increase per tonne	$ 1 million
Light oil sales margin	1/4-cent Cdn increase per litre	$ 23 million
Exchange rate	1-cent improvement in $Cdn vs. $US	($ 14 million)



Shell encourages all its employees and contractors to work safely





Anne Kim, Environmental Engineer in Network Development

Operations

Disruptions in production facilities due to unforeseen circumstances may affect productivity and earnings. For example, extended turnarounds reduce plant throughput in the short term. Preventive maintenance, continuous review of asset integrity, and retention of highly trained and experienced operating staff minimize these risks.

Marketing

Marketing risks include security of supply, market accessibility, commodity price volatility and credit risk. Shell has negotiated several supply and transportation arrangements to secure product supply and maintain access to markets. Oil Products and Resources each manage risk using appropriate risk management tools within the limits set by the Board of Directors. Shell manages credit risk by conducting appropriate assessments of new customers and periodically reviewing credit profiles of existing customers. Payment history is also monitored on a regular basis.

Exploration and Development

The major risk in exploration is the ability to find commercially viable reserves and implement successful drilling programs. Shell reduces risk by using modern exploration tools and techniques such as three-dimensional (3-D) seismic surveys and by applying risk analysis techniques to investment evaluations. The Company also has a diverse portfolio of exploration opportunities ranging from the Northwest Territories to offshore Eastern Canada, which further reduces risk.

SAFETY PERFORMANCE

	Lost-Time Injuries	Frequency of Lost-Time Injuries	Frequency of Total Recordable Injuries
2001			
Employees	**2**	**0.06**	**0.54**
Contractors	**23**	**0.18**	**1.48**
Combined	**25**	**0.16**	**1.27**
2000			
Employees	3	0.09	0.26
Contractors	23[1]	0.39[1]	1.56
Combined	26[1]	0.27[1]	0.99

[1] *Restated to include Oil Products Marketing contractors.*

Finance

Financial risks result from currency and interest rate fluctuations, and events that are due to accidental causes, which may create financial exposure.

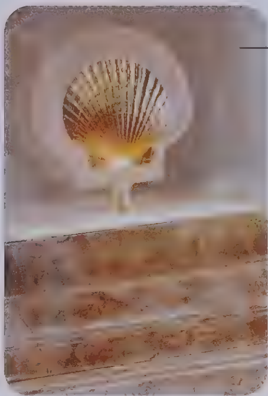
Currency risk arises from fluctuation in foreign currency rates relative to the Canadian dollar. The resulting effect on earnings depends on the level of activity involving foreign currency. Shell conducts some commodity transactions priced in non-Canadian currency, mainly U.S. dollars. Netting foreign cash flow transactions across operations each month reduces the foreign currency risk associated with operations. For larger capital projects such as Oil Sands, Shell uses hedging to manage foreign currency exposure.

Changes in interest rates affect interest expense. Both the amount and basis of debt (floating or fixed rates) influence interest rate exposure.

Shell uses risk control and risk financing techniques, including insurance, to protect Shell against losses due to accidents.

Health, Safety and Sustainable Development (HSSD)

HSSD risks are a critical exposure for Shell. The application of standards, procedures, training programs, audits and performance monitoring helps to prevent or minimize these risks. Shell has a comprehensive HSSD management system focused on managing hazards. Site remediation is an important activity in the closure of company-owned sites used to produce, distribute or market hydrocarbons.



The President's Safety Award recognizes outstanding safety performance

HEALTH, SAFETY AND SUSTAINABLE DEVELOPMENT

Health and Safety

Shell Canada is committed to pursue the goal of no harm to people. So, it was with profound regret that the Company experienced two contractor fatalities in the first quarter of 2001.

Shell measures its health and safety performance by the frequency of employee and contractor incidents relative to hours worked. In 2001, the total lost-time injury frequency for employees and contractors was 0.16 per 200,000 work hours compared with 0.27 in 2000. Lost-time injury frequency for employees fell to 0.06 in 2001. The overall Canadian industry average for lost-time injury frequency in 1998 was 2.62. No lost-time incidents were recorded for Oil Sands in 12 million hours worked in 2001 or for Oil Products marketing and distribution employees in 13 million hours from May 1995 to December 2001.

The Athabasca Oil Sands Project (AOSP) received the 2001 President's Safety Award. Now in its fourteenth year, this award recognizes the department or operating unit with the most outstanding safety performance. Nominees are evaluated on the basis of risk exposure, safety management and achievement.

From the beginning of the project, all the AOSP stakeholders clearly understood that one of their most important goals was to achieve world class safety performance. It is a notable accomplishment to maintain this focus through such a large undertaking, which has brought together many varied business cultures and safety management backgrounds. The 2001 results were outstanding, and signified that the AOSP is a leader in innovative and effective contractor safety management, despite significant hazards and a highly complex project.

Greenhouse Gas Management

The Company has targeted a reduction in its greenhouse gas emissions from base businesses to 94 per cent of 1990 levels by 2008. Since 1990, energy conservation activities have reduced carbon dioxide (CO_2) emissions by some 774,000 tonnes, which is nearly 10 per cent of our 1990 CO_2 emissions (adjusted for asset divestments). However, in the context of total Shell Canada CO_2 emissions, the growth in base businesses and increased use of energy to produce oil and gas from declining fields has offset this reduction.

The Shell Canada Climate Change Advisory Panel was established in 2000 to offer advice, scrutiny and challenge to Shell's greenhouse gas management plans. The panel met three times in 2001 and provided valuable input into the development of the Company's climate change strategy.

Shell also participated in a number of voluntary initiatives to manage emissions and continued to support the following organizations:

- Voluntary Challenge and Registry Inc. program (VCR);
- The Canadian Association of Petroleum Producers' Environment Health and Safety Stewardship group;
- The Accelerated Reduction/Elimination of Toxics program (ARET);
- Clean Air Renewable Energy Coalition program;
- Action by Canadians on Climate Change program (ABC).

This participation helps Shell to address climate change through consultation, education, voluntary disclosure and strategic development activities.

Renewable Energy

Shell is studying renewable energy development in Canada and seeking opportunities to incorporate wind projects into its energy portfolio. In late 2000, Shell purchased electricity generated by three new wind turbines in southern Alberta and is eligible to receive any associated greenhouse gas emission credits. These three turbines produce about three million kilowatt hours of electricity each year. This experience is helping Shell to evaluate viable investment opportunities in renewable energy sources.

Health, Safety and Sustainable Development (HSSD) Management System

In 2001, Shell Canada became the first major integrated oil and gas company in Canada to achieve ISO 14001 registration for all of its key operating facilities. These key facilities include four natural gas plants, three oil refineries, two lubricants manufacturing plants, and one heavy oil production facility, plus Resources well construction and geophysical operations. ISO 14001 is a voluntary, internationally recognized standard for environmental management systems, which is applicable to various industries worldwide. An environmental management system is a systematic approach to identifying and preventing or minimizing environmental impacts in any part of an organization's activities, products or services.

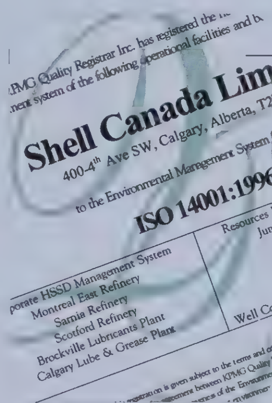
Shell Canada's 2000 annual Progress Toward Sustainable Development report won gold for best environmental and sustainability reporting in the Resource Companies category at the 50th annual report awards presented by the Canadian Institute of Chartered Accountants and the National Post newspaper.

Shell is purchasing electricity generated by wind power

Community Outreach

Shell is committed to transparency in its decision making process and, in 2001, continued its emphasis on stakeholder consultation. The Athabasca Oil Sands Project continued to engage with a wide range of stakeholders at community, national and global levels, particularly with respect to greenhouse gas management.

Elsewhere in the Company, all of Shell's major facilities adopted stakeholder consultation plans. A unique workshop in Calgary created a dialogue between young Shell Canada employees and a group of young professionals outside the company who are active in promoting sustainable development.



All of Shell Canada's key operating facilities have been registered under ISO 14001 standards for environmental management

Shell reaches out to its customers using electronic communication and connectivity

e-BUSINESS

Shell Canada continues to look for opportunities to achieve business goals and objectives using the speed, reach and connectivity of the Worldwide Web where it makes business sense to do so.

In the area of commercial transactions via the Web (e-Commerce), Shell continued to develop buying and selling applications. As the Company progressed its e-Procurement activities, on-line bidding for selected items yielded measurable cost savings. Business-to-business applications include e-Fleet™, a tool for Shell's commercial customers to manage their credit cards, and Web sites where bulk plant, cardlock and Aviation customers can access account information. On behalf of the Royal Dutch/Shell Group, Shell Canada developed an application for customer self-serve sales. The Group expects to make this function available to all Shell companies around the world.

To facilitate knowledge management, Shell Canada implemented a new platform that provides Web-based electronic document management and virtual collaboration. Shell defines knowledge management as getting the right information in the right format to the right person at the right time to enable the best possible decisions and actions. The Company conducted several pilots to learn how this platform can be used as a tool integrated within business processes.

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TECHNOLOGY AND ASSET INTEGRITY

Technology experts provide technical and engineering support to secure the best possible performance from Shell's assets and new business opportunities. This expertise enables Shell to operate its refineries and gas plants more efficiently and safely while reducing any potential impact on the environment. The availability and application of this technical expertise and the development of creative solutions to technical problems has saved money. For example, onstream inspection techniques at the Jumping Pound plant enabled the deferral of a turnaround by one year to 2003, which resulted in significant cost savings.

Access to the worldwide research and technical support capabilities of the Royal Dutch/Shell Group of Companies augments Shell Canada's capabilities.

Blackfoot Elder Frank Weaselhead consulted with the Glenbow Museum to establish the new Blackfoot gallery

COMMUNITY INVOLVEMENT

In keeping with Shell's commitment to the social dimension of sustainable development, the Company donated a total of $5.8 million to not-for-profit organizations across Canada in 2001. The funds supported environmental and educational initiatives as well as local communities where employees, retirees and marketing associates live and work.

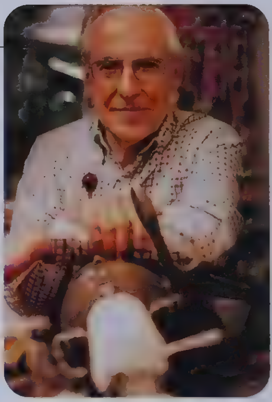
In 1999, as part of its ongoing relationship with the Nature Conservancy of Canada (NCC), Shell Canada committed $750,000 to be used over three years. In 2001, the final $250,000 of this pledge was designated to research and to support for three years an NCC conservation officer, who will identify, secure and conserve ecologically important properties in the front ranges of the Rocky Mountains. Over the past 21 years, Shell has donated more than $3 million in cash, land, mineral rights and staff time, which has helped the Conservancy to preserve rare and endangered ecosystems across Canada.

In 2001, the Company entered into the first year of a new sponsorship program in Ontario with an initial commitment of $75,000 over two years to the Yves Landry Technological Education Endowment Fund. Through the fund, Shell presented its Progress Towards Sustainable Development award to the college or university that most successfully incorporated the concept of sustainable development into its courses, programs or projects. Also in 2001, Shell Canada became the sole corporate sponsor of a new, permanent gallery in Calgary's Glenbow Museum. The Company contributed $250,000 towards Nitsitapiisinni: Our Way of Life – The Blackfoot Gallery. This 8,000 square foot gallery, which explores the traditions, values and history of the Blackfoot people, will also support educational programs and activities sharing Blackfoot heritage and culture.

Exhibits in the new Blackfoot Gallery at Calgary's Glenbow Museum, to which Shell contributed funding

Created in 1990, the Shell Environmental Fund (SEF) is a national program to fund innovative environmental projects such as habitat restoration, energy conservation, waste reduction, recycling, trail building and educational initiatives. Since its inception, the SEF has granted over $8.8 million to more than 3,200 projects. One such project was the Grey Bruce Clean Water Festival in Chelsey, Ontario, in 2001. This festival focused on issues such as rural water sources, nutrient and pesticide management, and the stewardship of the natural environment surrounding water sources.

In 2001, Shell Canada conducted United Way campaigns across the country. The Company matched the money raised by employees and retirees for donations totalling $2.04 million. This included a record donation of $1.5 million to the Calgary and area campaign, which won a United Way Spirit of Gold award.



Shell retiree Murray Henry volunteers his skills as a mechanical engineer to make devices for people with disabilities

Shell donors included 284 Leaders of the Way who contributed $1,000 or more and some 765 volunteers gave almost 3,300 hours to support United Way agencies in their communities. And, in this International Year of the Volunteer, the Company granted a total of $360,000 through the Shell Community Service Fund to employees, retirees, retailers and agents who regularly volunteer their time and talents to not-for-profit organizations in their communities.

HUMAN RESOURCES DEVELOPMENT

Shell Canada is committed to building a reputation founded on sustainable development and embodied in ethical business principles. This approach helps to attract and retain motivated and highly skilled employees. The Company strives to provide a work environment that supports diversity, encourages mutual respect and treats people fairly on the basis of merit. The Ombuds' office plays an important role in this effort.

Shell provides local, in-house opportunities for training and development as well as world-class technical and leadership development programs through the Royal Dutch/Shell Group of Companies. An open job posting and career development system gives employees the tools they need to manage their careers.

Ejike Ohuegbe, Corporate Diversity Advisor

The annual employee survey, which incorporates upward appraisal, continues to provide Shell with the opportunity to identify employee concerns and continuously improve the work environment. The survey results are benchmarked against other companies both within and outside the oil and gas industry. In 2001, an independent survey selected Shell Canada as one of Canada's Top 100 Employers for the second year running.

Management encourages the development of accountability systems that promote responsibility and decision-making at all levels. A performance management system throughout the organization aligns individual activities with the overall corporate direction. Employees share in the Company's success through a results pay system, which takes into account annual earnings and Shell's overall profitability compared to the other major integrated oil companies. Further encouragement to identify with Shell Canada's fortunes came with the introduction in 2001 of an employee share purchase plan. By the end of the year, some 1,200 employees, or more than 30 per cent of the workforce, had taken advantage of this opportunity.

To ensure that Shell will have the leadership necessary to meet future business challenges, the Company continues to monitor and improve its leadership succession and development planning processes. The senior management team takes steps to equip tomorrow's leaders with the appropriate skills and experience.

MANAGEMENT'S REPORT

To the Shareholders of Shell Canada Limited

The management of Shell Canada Limited is responsible for the preparation of all information included in this Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on management's informed judgments and estimates. Financial information included elsewhere in this Annual Report is consistent with the consolidated financial statements.

To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that assets are safeguarded. Management believes that this system of internal control has operated effectively for the year ended December 31, 2001.

PricewaterhouseCoopers LLP, Chartered Accountants, appointed by the shareholders, have audited the financial statements and conducted a review of internal accounting policies and procedures to the extent required by generally accepted auditing standards and performed such tests as they deemed necessary to enable them to express an opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee is composed of independent directors who are not employees of the Corporation. The committee reviews the financial content of the Annual Report and meets regularly with management, internal audit and PricewaterhouseCoopers LLP to discuss internal controls, accounting, auditing and financial matters. The committee recommends the appointment of the external auditors. The committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

S. Støtvig

STEINAR STØTVIG
Chief Financial Officer

Matt Haney

MATTHEW B. HANEY
Controller

January 31, 2002

AUDITORS' REPORT

To the Shareholders of Shell Canada Limited

We have audited the consolidated balance sheets of Shell Canada Limited as at December 31, 2001, 2000 and 1999 and the consolidated statements of earnings and retained earnings, and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001, 2000 and 1999 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2001, in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

January 31, 2002

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year ended December 31 ($ millions)	*2001*	*2000*	*1999*	*1998*	*1997*
REVENUES					
Sales and other operating revenues	**7 658**	8 100	5 286	4 449	5 306
Dividends, interest and other income	**72**	89	93	57	150
Total revenues	**7 730**	8 189	5 379	4 506	5 456
EXPENSES					
Purchased crude oil, petroleum products and other merchandise	**4 627**	5 166	3 205	2 372	3 066
Operating, selling and general	**1 104**	1 086	1 053	1 039	1 071
Exploration	**81**	42	70	57	62
Depreciation, depletion, amortization and retirements	**318**	366	254	265	308
Interest	**17**	46	49	70	65
Foreign exchange on long-term debt	**–**	23	27	52	20
Total expenses	**6 147**	6 729	4 658	3 855	4 592
Asset sales and rationalization	**–**	–	367	–	–
EARNINGS					
Earnings before income tax	**1 583**	1 460	1 088	651	864
Current income tax	**472**	607	369	165	304
Future income tax	**101**	(5)	78	54	37
Total income tax *(Note 4)*	**573**	602	447	219	341
Earnings	**1 010**	858	641	432	523
Per Common Share *(dollars) (Note 13)*					
Earnings – basic	**3.67**	3.04	2.22	1.49	1.69
Earnings – diluted	**3.65**	3.03	2.21	1.49	1.69
RETAINED EARNINGS					
Balance at beginning of year	**3 478**	3 362	2 931	2 730	3 021
Implementation of accounting standard *(Note 4)*	**–**	(61)	–	–	–
Earnings	**1 010**	858	641	432	523
	4 488	4 159	3 572	3 162	3 544
Common Shares buy-back *(Note 3)*	**–**	466	2	22	608
Dividends	**220**	215	208	209	206
Balance at end of year	**4 268**	3 478	3 362	2 931	2 730

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31 ($ millions)	2001	2000	1999	1998	1997
CASH FROM OPERATING ACTIVITIES					
Earnings	**1 010**	858	641	432	523
Gain on sale of investment	**–**	–	(47)	–	–
Exploration	**81**	42	70	57	62
Non-cash items					
Depreciation, depletion, amortization and retirements	**318**	366	254	265	308
Asset sales and rationalization	**–**	–	(367)	–	–
Current tax related to major property disposal	**–**	–	155	–	–
Future income tax	**101**	(5)	78	54	37
Other items	**(15)**	(6)	11	37	10
Cash flow from operations	**1 495**	1 255	795	845	940
Movement in working capital and other from operating activities	**28**	(124)	227	(301)	43
	1 523	1 131	1 022	544	983
CASH INVESTED					
Capital and exploration expenditures	**(2 027)**	(1 153)	(715)	(796)	(520)
Movement in working capital from investing activities	**(60)**	188	21	16	–
	(2 087)	(965)	(694)	(780)	(520)
Proceeds on disposal of properties, plant and equipment	**59**	16	951	253	169
Investments, long-term receivables and other	**(42)**	(28)	26	(85)	(15)
	(2 070)	(977)	283	(612)	(366)
CASH FROM FINANCING ACTIVITIES					
Common Shares buy-back *(Note 3)*	**–**	(490)	(2)	(24)	(976)
Proceeds from exercise of Common Share stock options	**5**	5	4	1	8
Dividends paid	**(220)**	(215)	(208)	(209)	(206)
Long-term debt repayments and other	**(377)**	49	(375)	6	(14)
Short-term financing	**212**	–	–	–	–
Movement in working capital from financing activities *(Note 12)*	**150**	200	–	–	–
	(230)	(451)	(581)	(226)	(1 188)
Increase (decrease) in cash	**(777)**	(297)	724	(294)	(571)
Cash at beginning of year	**752**	1 049	325	619	1 190
Cash at end of year [1]	**(25)**	752	1 049	325	619
Supplemental disclosure of cash flow information					
Dividends received	**11**	13	46	21	8
Interest received	**21**	50	13	27	29
Interest paid	**33**	43	52	67	65
Income tax paid	**692**	559	162	464	278

[1] *Cash comprises cash and highly liquid short-term investments less bank overdraft.*

CONSOLIDATED BALANCE SHEET

As at December 31 ($ millions)	2001	2000	1999	1998	1997
ASSETS					
Current assets					
Cash and short-term investments	**(25)**	752	299	325	619
Loan to SPCO *(Note 10)*	**–**	–	750	–	–
Accounts receivable	**415**	1 119	889	627	717
Inventories					
Crude oil, products and merchandise	**473**	440	464	545	540
Materials and supplies	**57**	47	49	49	49
Prepaid expenses	**159**	157	121	122	114
	1 079	2 515	2 572	1 668	2 039
Investments, long-term receivables and other	**305**	255	219	198	214
Properties, plant and equipment *(Note 2)*	**6 075**	4 496	3 783	3 946	3 713
Total assets	**7 459**	7 266	6 574	5 812	5 966
LIABILITIES					
Current liabilities					
Short-term borrowings	**212**	–	–	–	–
Accounts payable and accrued liabilities	**1 012**	1 346	916	656	705
Income and other taxes payable	**211**	404	391	10	304
Current portion of site restoration and other long-term obligations	**21**	20	21	21	28
Current portion of long-term debt	**2**	450	2	367	1
	1 458	2 220	1 330	1 054	1 038
Site restoration and other long-term obligations *(Note 7)*	**195**	205	183	188	189
Long-term debt *(Note 6)*	**119**	51	440	425	740
Future income tax	**959**	857	786	745	799
Total liabilities	**2 731**	3 333	2 739	2 412	2 766
Commitments and contingencies *(Note 11)*					
SHAREHOLDERS' INVESTMENT					
Capital stock *(Note 3)*					
100 4% Preference Shares	**1**	1	1	1	1
275 514 500 Common Shares (2000 – 275 274 286; 1999 – 289 377 839)	**459**	454	472	468	469
	460	455	473	469	470
Retained earnings	**4 268**	3 478	3 362	2 931	2 730
Total shareholders' investment	**4 728**	3 933	3 835	3 400	3 200
Total liabilities and shareholders' investment	**7 459**	7 266	6 574	5 812	5 966

The consolidated financial statements have been approved by the Board of Directors.

T. W. Faithfull

TIMOTHY W. FAITHFULL
Director

R. T. Stewart

ROBERT T. STEWART
Director

Shell Canada's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. The Corporation's major accounting policies are summarized as follows:

1. ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Shell Canada Limited and its subsidiary companies. The financial statements reflect the Corporation's proportionate interests in joint ventures.

INVENTORIES

Inventories of crude oil, products and merchandise are stated at the lower of cost, applied on the Last-In, First-Out (LIFO) basis, or net realizable value. Materials and supplies are stated at the lower of cost or estimated useful value.

INVESTMENTS

Investments in companies over which Shell Canada exercises significant influence are accounted for using the equity method. Accordingly, the book value of the investment in such companies equals the original cost of the investment, plus Shell Canada's share of earnings since the investment date, less dividends received. Other long-term investments are recorded at cost. Short-term investments are carried at the lower of cost or market value and are highly liquid securities with a maturity of three months or less when purchased.

EXPLORATION AND DEVELOPMENT COSTS

The Corporation follows the successful efforts method of accounting for exploration and development activities. Under this method, acquisition costs of resource properties are capitalized. Exploratory drilling costs are initially capitalized and costs relating to wells subsequently determined to be unsuccessful are charged to earnings. Other exploration costs are charged to earnings. All development costs are capitalized.

DEPRECIATION, DEPLETION AND AMORTIZATION

Depreciation and depletion on resource assets are provided on the unit-of-production basis. Land and lease costs relating to producing properties and costs of gas plants are depleted and depreciated over remaining proved reserves. Resource development costs are depleted and depreciated over remaining proved developed reserves. A valuation allowance for unproved properties is provided through amortization of costs; the amortization rate is determined in accordance with experience. Costs relating to non-resource assets are depreciated on the straight-line basis over each asset's estimated useful life.

SITE RESTORATION

Estimated site restoration costs are provided for on either the unit-of-production or the straight-line basis over the useful life of the related assets. Costs are based on engineering estimates of the anticipated method and extent of site restoration, in accordance with current legislation, industry practices and costs. Provision is being made for site restoration costs that the Corporation expects to incur within the foreseeable future and that can be reasonably estimated.

INTEREST

Interest costs are expensed as incurred.

REVENUES

Revenues are recognized upon delivery. Inter-segment sales, which are accounted for at estimated market-related values, are included in revenues of the segment making the transfer. On consolidation, such inter-segment sales and any associated estimated profits in inventory are eliminated.

ROYALTIES AND MINERAL TAXES

Alberta royalties on crude oil obtained from Crown leases are required to be delivered in kind. All royalty entitlements and mineral taxes are reflected as reductions in sales and other operating revenues.

EMPLOYEE FUTURE BENEFITS

The costs of pension and other retirement benefits are actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at a market-related value. The excess of the net actuarial gain or loss over 10 per cent of the greater of the benefit obligation and the market-related value of plan assets is amortized over the average remaining service period of active employees.

FOREIGN CURRENCY TRANSLATION

Long-term monetary liabilities are translated to Canadian dollars at rates of exchange in effect at the end of the period. Unrealized exchange gains and losses arising on translation are deferred and amortized over the remaining term of these liabilities.

FINANCIAL INSTRUMENTS

Financial instruments including cash, marketable securities and short-term borrowings are recorded at historical cost and, unless otherwise indicated, their market values approximate the recorded amounts.

FOREIGN EXCHANGE FORWARD CONTRACTS

The Corporation enters into foreign exchange forward contracts to hedge certain foreign purchases and sales. Those foreign transactions are recorded in the financial statements in Canadian dollars at the rate specified in the forward contract. Exchange gains or losses on the contracts offset the gains or losses on the initial transaction.

INTEREST RATE SWAPS

Interest rate swaps are used to manage interest rate exposure. Differentials under interest rate swap arrangement are recognized by adjustments to interest expense.

ENERGY FUTURES

The Corporation uses energy futures to reduce exposure to price fluctuations in some contractual energy purchases and sales. Any gain or loss on these transactions is applied to the cost of the products purchased and sold in accordance with the intent to hedge risk.

STOCK-BASED COMPENSATION PLANS

The Corporation has a stock-based compensation plan, which is described in *Note 3*. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in the preparation of these financial statements include the estimate of proved oil and gas reserves, site restoration and employee future benefits.

RECLASSIFICATION

Certain information provided for prior years has been reclassified to conform to the current presentation.

2. SEGMENTED INFORMATION

The operating segments are those adopted by senior management of the Corporation to determine resource allocations and assess performance. In all material respects, the segmented information is applied consistently in accordance with the Corporation's significant accounting policies. The Corporation's revenues are attributed principally to Canada where all of its major properties, plants and equipment are located.

Segmented financial results and properties, plant and equipment data are reported as if the segments were separate entities.

Earnings *($ millions)*

TOTAL			
2001	*2000*	*1999*	
1 260	988	523	Natural gas
619	757	417	Natural gas liquids
36	42	64	Crude oil and bitumen
(371)	(337)	(184)	Royalties
2 885	3 025	2 137	Gasolines
2 157	2 434	1 477	Middle distillates
858	1 018	655	Other products
286	262	290	Other revenues
–	–	–	Inter-segment sales
7 730	8 189	5 379	***Total revenues***
4 627	5 166	3 205	Purchased crude oil, petroleum products and other merchandise
–	–	–	Inter-segment purchases
1 104	1 086	1 053	Operating, selling and general
81	42	70	Exploration
318	366	254	Depreciation, depletion, amortization and retirements
17	46	49	Interest
–	23	27	Foreign exchange on long-term debt
6 147	6 729	4 658	***Total expenses***
–	–	367	Asset sales and rationalization [1]
1 583	1 460	1 088	Earnings (loss) before income tax
472	607	369	Current income tax
101	(5)	78	Future income tax
573	602	447	Total income tax
1 010	858	641	***Earnings (loss)***

[1] *In 1999, the Corporation recognized a pre-tax gain of $422 million ($230 million after-tax) related to the sale of the Plains properties, which was partially offset by a write-down of $55 million pre-tax ($32 million after-tax) related to Peace River.*

The Corporation has the following segments:

RESOURCES includes exploration, production and marketing activities for natural gas, natural gas liquids, bitumen, crude oil and sulphur.

OIL PRODUCTS includes the manufacturing, distribution and selling of the Corporation's refined petroleum products.

CORPORATE AND OTHER includes controllership, financing, administration and general corporate facility management. It also includes Oil Sands.

RESOURCES			OIL PRODUCTS			CORPORATE AND OTHER		
2001	*2000*	*1999*	***2001***	*2000*	*1999*	***2001***	*2000*	*1999*
1 260	988	523	**–**	–	–	**–**	–	–
619	757	417	**–**	–	–	**–**	–	–
36	42	64	**–**	–	–	**–**	–	–
(371)	(337)	(184)	**–**	–	–	**–**	–	–
–	–	–	**2 885**	3 025	2 137	**–**	–	–
–	–	–	**2 157**	2 434	1 477	**–**	–	–
(6)	76	36	**864**	942	619	**–**	–	–
40	5	89	**191**	188	175	**55**	69	26
67	69	87	**143**	151	72	**–**	–	–
1 645	1 600	1 032	**6 240**	6 740	4 480	**55**	69	26
–	–	–	**4 627**	5 166	3 205	**–**	–	–
143	151	–	**67**	69	159	**–**	–	–
277	275	268	**803**	783	761	**24**	28	24
81	42	70	**–**	–	–	**–**	–	–
172	189	188	**148**	176	127	**(2)**	1	(61)
–	–	–	**–**	–	–	**17**	46	49
–	–	–	**–**	–	–	**–**	23	27
673	657	526	**5 645**	6 194	4 252	**39**	98	39
–	–	367	**–**	–	–	**–**	–	–
972	943	873	**595**	546	228	**16**	(29)	(13)
409	362	189	**95**	269	188	**(32)**	(24)	(8)
(37)	45	184	**99**	(63)	(101)	**39**	13	(5)
372	407	373	**194**	206	87	**7**	(11)	(13)
600	536	500	**401**	340	141	**9**	(18)	–

2. SEGMENTED INFORMATION *(continued)*

Cash Flow *($ millions)*

TOTAL 2001	2000	1999	
1 495	1 255	795	Cash flow from operations
28	(124)	227	Movement in working capital and other from operating activities
1 523	1 131	1 022	***Cash from operating activities***
(2 027)	(1 153)	(715)	Capital and exploration expenditures
(60)	188	21	Movement in working capital from investing activities
(2 087)	(965)	(694)	
17	(12)	977	Other cash invested
(230)	(451)	(581)	Cash from financing activities
(777)	(297)	724	***Increase (decrease) in cash***

Capital Employed *($ millions, except as noted)*

TOTAL 2001	2000	1999	
10 289	8 478	7 515	Properties, plant and equipment at cost
4 214	3 982	3 732	Accumulated depreciation, depletion and amortization
6 075	4 496	3 783	Net properties, plant and equipment
(1 014)	(63)	494	Other assets less other liabilities
5 061	4 433	4 277	***Capital employed***
21.5	20.3	15.8	***Return on average capital employed (%)*** [1]

[1] *Return on Average Capital Employed (ROACE) is earnings plus after-tax interest expense divided by the average of opening and closing capital employed for the 12 months to December 31. Capital employed is a total of equity and debt.*

RESOURCES			OIL PRODUCTS			CORPORATE AND OTHER		
2001	*2000*	*1999*	***2001***	*2000*	*1999*	***2001***	*2000*	*1999*
812	808	686	**637**	429	148	**46**	18	(39)
(99)	(206)	52	**165**	(60)	187	**(38)**	142	(12)
713	602	738	**802**	369	335	**8**	160	(51)
(366)	(254)	(488)	**(343)**	(279)	(109)	**(1 318)**	(620)	(118)
30	37	4	**(24)**	–	–	**(66)**	151	17
(336)	(217)	(484)	**(367)**	(279)	(109)	**(1 384)**	(469)	(101)
35	7	835	**(6)**	22	25	**(12)**	(41)	117
1	4	2	**3**	11	4	**(234)**	(466)	(587)
413	396	1 091	**432**	123	255	**(1 622)**	(816)	(622)

RESOURCES			OIL PRODUCTS			CORPORATE AND OTHER		
2001	*2000*	*1999*	***2001***	*2000*	*1999*	***2001***	*2000*	*1999*
4 153	3 954	3 802	**3 963**	3 656	3 461	**2 173**	868	252
2 015	1 893	1 714	**2 137**	2 025	1 958	**62**	64	60
2 138	2 061	2 088	**1 826**	1 631	1 503	**2 111**	804	192
(542)	(653)	(728)	**(37)**	187	148	**(435)**	403	1 074
1 596	1 408	1 360	**1 789**	1 818	1 651	**1 676**	1 207	1 266
39.9	38.7	31.5	**22.2**	19.6	8.2	**–**	–	–

2. SEGMENTED INFORMATION *(continued)*

Oil Sands capital activities, included in Corporate and Other, are detailed below:

	OIL SANDS		
	2001	*2000*	*1999*
Capital and exploration expenditures *($ millions)*	**1 313**	606	113
Capital Employed *($ millions)*			
Properties, plant and equipment at cost	**2 083**	770	167
Accumulated depreciation, depletion and amortization	**–**	–	–
Net properties, plant and equipment	**2 083**	770	167
Other assets less other liabilities	**(172)**	(206)	(20)
Capital employed	**1 911**	564	147

Oil Sands property, plant and equipment are not being depreciated during the construction period.

3. CAPITAL STOCK

Shell Canada Limited carries on business under the Canada Business Corporations Act. Common Shares are without nominal or par value and are authorized in unlimited number.

The holder of the four per cent Preference Shares receives fixed, cumulative dividends of $40,000 per annum. The Preference Shares may be redeemed at the amount paid up thereon plus accrued dividends.

On May 10, 2000, the Company initiated a normal course issuer bid for up to five per cent of its outstanding Common Shares. The bid was terminated on September 18, 2000, at which time 14,358,509 shares, five per cent, had been repurchased at an average price of $34.02, for a total cost of $489 million.

Shell Investments Limited (SIL), a related company as described on page 73 of this report, owns approximately 78 per cent of the outstanding Common Shares of Shell Canada Limited, and participated in the share purchase program. SIL sold 11,199,552 Shell Canada Limited Common Shares, maintaining its existing ownership interest.

An earlier normal course issuer bid, which commenced August 17, 1999, was terminated May 4, 2000, concurrent with the announcement of the May 10, 2000 bid. Under the terminated bid, Shell purchased 110,100 shares at an average price of $29.78, for a total cost of $3 million, which includes $1 million of shares purchased in 2000.

Under the Long-term Incentive Plan, the Company may grant options to executives and other employees. The number of options granted is determined by a formula. The exercise price of each option equals the market price of the Company's stock on the date of grant and the maximum term of an option is 10 years. Options may not be exercised during the one-year period following the date of grant, after which time one-third of the options may be exercised in each of the next three years on a cumulative basis. For executives, 50 per cent of the options are based on the Company's Total Shareholder Return (TSR). For the option to vest, the TSR must exceed the average TSR of the Corporation's comparator group at the end of the three year period after being granted. If the options vest, they must be exercised within seven years of the date of vesting.

At December 31, 2001, the Company had 9,140,457 shares reserved to meet outstanding options for the purchase of Common Shares.

Common Shares	2001		2000		1999	
	Shares	*Dollars*	*Shares*	*Dollars*	*Shares*	*Dollars*
Balance at the beginning of the year	**275 274 286**	**453 599 996**	289 377 839	472 170 047	289 178 840	467 994 216
Activity during the year						
Options exercised	**240 214**	**5 193 834**	287 056	5 015 731	276 999	4 303 068
Normal course issuer bid	–	–	(14 390 609)	(23 585 782)	(78 000)	(127 237)
Balance at year-end	**275 514 500**	**458 793 830**	275 274 286	453 599 996	289 377 839	472 170 047

A summary of the status of the Company's fixed stock option plans as at December 31, 2001, 2000 and 1999, and changes during the years ending on those dates is presented below:

Fixed Options	2001		2000		1999	
	Options (thousands)	*Weighted Average Exercise Price (dollars)*	*Options (thousands)*	*Weighted Average Exercise Price (dollars)*	*Options (thousands)*	*Weighted Average Exercise Price (dollars)*
Outstanding at the beginning of the year	**2 560**	**23.71**	2 059	19.95	1 623	18.46
Granted	**1 311**	**36.50**	801	31.20	715	21.65
Exercised	**(240)**	**21.61**	(287)	17.47	(277)	15.54
Forfeited	**(15)**	**32.01**	(13)	26.53	(2)	23.50
Outstanding at year-end	**3 616**	**28.48**	2 560	23.71	2 059	19.95
Options exercisable at year-end	**1 587**		1 114		836	

Stock options outstanding at December 31, 2001:

	Options Outstanding			Options Exercisable	
	Number Outstanding	*Weighted Average Remaining Contractual Life (years)*	*Weighted Average Exercise Price (dollars)*	*Number Exercisable*	*Weighted Average Exercise Price (dollars)*
$10 to $16	304 300	3.2	13.71	304 300	13.71
$16 to $22	751 940	6.6	20.84	537 973	20.51
$22 to $28	482 721	6.1	23.50	482 221	23.50
$28 to $37	2 077 125	8.7	34.52	262 042	31.20
$10 to $37	**3 616 086**	7.4	28.48	**1 586 536**	21.88

4. INCOME TAX

The income tax provisions included in the determination of earnings are developed by applying Canadian federal and provincial statutory tax rates to pre-tax earnings, with adjustments as set out in the table below.

Effective January 1, 2000, the Company adopted the new Canadian accounting standard for income taxes. The Corporation adopted this standard retroactively without restating financial statements for prior periods. The effect, on the balance sheet, of the new recommendation was to increase the future income tax liability and decrease retained earnings by $61 million. The effect on net income for the period ended December 31, 2000, is not material.

The future income tax liability is largely due to the excess carrying value of property, plant, and equipment over the associated tax basis.

The Corporation has $168 million in capital losses for which no future income tax benefit has been recognized.

($ millions except as noted)	***2001***	*2000*	*1999*
Earnings before income tax	**1 583**	1 460	1 088
Basic corporate tax rate *(%)*	**42.2**	43.9	44.4
Income tax at basic rate	**667**	641	483
Increase *(decrease)* resulting from:			
Crown royalties and other payments to provinces	**132**	123	68
Resource allowance and other abatement measures	**(146)**	(137)	(65)
Manufacturing and processing credit	**(30)**	(32)	(28)
Changes in income tax rates	**(33)**	–	–
Other, including revisions in previous tax estimates	**(17)**	7	(11)
Total	**573**	602	447

5. TAXES, ROYALTIES AND OTHER

The following amounts were included in the determination of earnings:

($ millions)	***2001***	*2000*	*1999*
Items reported separately:			
Income tax	**573**	602	447
Items included in sales and other operating revenues and in operating, selling and general expenses:			
Crown royalties and mineral taxes	**303**	274	151
Royalties paid to private leaseholders	**68**	63	34
Other taxes	**49**	53	55
Research and development expense	**5**	7	15
Total	**998**	999	702

6. LONG-TERM DEBT

($ millions)	*Maturity*	***2001***	*2000*	*1999*
Debentures				
$8\frac{7}{8}$% ($300 US)	2001	**–**	448	433
Capital leases	varying dates	**121**	53	16
		121	501	449
Included in current liabilities		**(2)**	(450)	(2)
Unamortized balance of foreign exchange loss		**–**	–	(7)
Total		**119**	51	440

In January 2001, the long-term debt matured and was retired. At year-end, the Corporation had no outstanding long-term debt other than capital leases.

Capital leases include $115 million of incurred costs related to the hydrogen manufacturing unit, which will be used in connection with the Athabasca Oil Sands Project. Repayments of capital lease obligations necessary during the next five years are as follows:

$ 2 million in 2002
$ 2 million in 2003
$ 2 million in 2004
$ 2 million in 2005
$ 2 million in 2006

7. SITE RESTORATION AND OTHER LONG-TERM OBLIGATIONS

($ millions)	***2001***	*2000*	*1999*
Site restoration [1]	**68**	78	70
Other employee future benefits	**113**	105	96
Other obligations	**35**	42	38
	216	225	204
Included in current liabilities	**(21)**	(20)	(21)
Total	**195**	205	183

[1] *Site restoration expenditures for 2001 were $16 million (2000 – $11 million; 1999 – $12 million).*

8. FINANCIAL INSTRUMENTS

($ millions)	Notional Fair Value[1] 2001	2000	1999	Unrealized Gain/(Loss)[2] 2001	2000	1999
Commodity contracts	**20**	278	127	**(19)**	(59)	6
Foreign exchange contracts	**44**	475	158	**1**	2	2

($ millions)	Notional Fair Value[1] 2001	2000	1999	Carrying Value 2001	2000	1999
Interest rate swaps	**–**	–	1	**–**	–	–
Long-term debt[3]	**–**	510	476	**–**	500	442

[1] *Notional fair value is the product of the contract volume and the mark-to-market forward price. Purchase and sales positions have not been offset. Amounts disclosed represent the sum of the absolute values of the positions. The reported amounts of financial instruments such as cash equivalents, marketable securities and short-term debt approximate fair value.*

[2] *Unrealized gain or loss represents the gain or loss the Corporation would incur if the contract was liquidated at December 31.*

[3] *Long-term debt includes the current portion.*

The Corporation uses commodity contracts to reduce the risk of price fluctuations of some commodities. Over-the-counter contracts with terms generally no longer than one year are used. At December 31, commodity contracts outstanding were:

	2001		2000		1999	
($ millions except as noted)	Face Value	Volume[4]	Face Value	Volume[4]	Face Value	Volume[4]
Crude oil and refined products sales commitments	**6**	**294**	5	164	3	231
Natural gas sales commitments	**–**	**–**	116	18	127	41
Electricity purchase commitments	**33**	**356**	65	711	–	–

[4] *Crude oil and refined product volumes are expressed as thousands of barrels, natural gas volumes as billions of cubic feet and electricity is denoted in thousands of megawatt hours.*

A portion of the Corporation's cash flow is in U.S. dollars. The resulting net shortage of U.S. dollars is funded through U.S. dollar spot, forward and swap contracts. These instruments generally mature in less than 30 days. U.S. dollar requirements for significant capital projects and some marketing transactions are funded through forward contracts with maturities generally of less than one year.

Non-performance by other parties to the financial instruments exposes the Corporation to credit loss. The counterparties are generally domestic and international banks with minimum credit ratings of AA and corporations with credit ratings of A or better. There is no significant concentration of credit risk and Shell does not anticipate non-performance by the counterparties.

9. EMPLOYEE FUTURE BENEFITS

A new Canadian accounting standard for employee future benefits was prospectively adopted in 2000. This new standard has not had a material impact on the Corporation's financial statements.

Employees initially participate in the defined contribution segment of the Corporation's pension plan. After meeting certain service requirements, employees can elect to participate in the defined benefit segment of the pension plan. Benefits from this segment are Company-paid and are based on years of service and final average earnings. In addition to the pension plan, life insurance and supplementary health and dental coverage benefits are provided to retirees.

Accrued Benefit Obligation *($ millions)*	*2001* Pension Benefit Plans	*2001* Other Benefit Plans	*2000* Pension Benefit Plans	*2000* Other Benefit Plans
Accrued benefit obligation as at January 1	**1 548**	**135**	1 416	132
Current service cost	**24**	**2**	22	1
Interest cost	**98**	**9**	101	9
Actuarial loss	**74**	**(3)**	127	(1)
Benefits paid	**(120)**	**(7)**	(118)	(6)
Change in assumption	**106**	**14**	–	–
Accrued benefit obligation as at December 31	**1 730**	**150**	1 548	135

Included in the above are unfunded obligations for the supplemental pension plan of $92 million (2000 – $68 million) and $32 million (2000 – $33 million) for the spousal pension plan.

Plan Assets *($ millions)*	*2001*		*2000*	
Plan assets as at January 1	**1 944**	**–**	1 907	–
Actual return on plan assets	**(49)**	**–**	139	–
Employer contributions	**8**	**–**	7	–
Employee contributions	**2**	**–**	2	–
Transfers	**5**	**–**	14	–
Benefits paid	**(120)**	**–**	(118)	–
Expenses	**(4)**	**–**	(7)	–
Fair value as at December 31	**1 786**	**–**	1 944	–
Funded status – surplus *(deficit)*	**56**	**(150)**	396	(135)
Unamortized net *(gain)* losses	**474**	**16**	114	(1)
Unamortized transitional *(asset)* obligation [1]	**(251)**	**30**	(287)	33
Accrued benefit asset (obligation)	**279**	**(104)**	223	(103)

[1] *Unrecorded assets are amortized over the expected average remaining service life of employees, which is currently nine years (2000 – nine years; 1999 – nine years).*

9. EMPLOYEE FUTURE BENEFITS *(continued)*

(Income) Expense *($ millions)*	*2001* Pension Benefit Plans	*2001* Other Benefit Plans	*2000* Pension Benefit Plans	*2000* Other Benefit Plans
Current service cost	**24**	**2**	22	2
Employee contributions	**(2)**	**–**	(2)	–
Interest cost	**98**	**9**	101	9
Expected return on plan assets	**(143)**	**–**	(132)	–
Amortization of transitional *(asset)* obligation	**(36)**	**3**	(36)	3
Net (income) expense for plans	**(59)**	**14**	(47)	14
Defined contribution plan	**10**	**–**	–	–
Total	**(49)**	**14**	(47)	14

Assumptions *(per cent)*	*2001*		*2000*	
Discount rate	**6.6**	**6.6**	6.5	6.5
Long-term rate of return on plan assets	**8.0**	**–**	7.5	–
Rate of compensation growth	**3.5**	**3.5**	3.0	3.0

For the purpose of measuring the expected cost of other benefit plans, a 10 per cent annual rate of increase in the per-capita cost of covered health care benefits was assumed for 2001, decreasing each year to a rate of four per cent in 2007 and thereafter.

Comparative figures determined under the previous accounting standard have not been restated.

($ millions)	*1999*
Net pension income	23
Pension fund assets at the five year moving average of market value	1 766
Accumulated benefit obligation	1 416
Deferred pension asset	168

10. TRANSACTIONS WITH AFFILIATED COMPANIES

Shell Canada, in the course of its regular business activities, has routine transactions with affiliates. Such transactions are at commercial rates. The following transactions occurred with Shell International Trading Company and other affiliates of the Royal Dutch/Shell Group of Companies as at December 31:

Year ended December 31 ($ millions)	***2001***	*2000*	*1999*
Purchases of crude oil, petroleum products and chemicals	**1 802**	2 032	909
Amounts payable in respect of such purchases	**84**	141	80
Sale of natural gas, petroleum products and chemicals	**1 400**	1 308	857
Amounts receivable in respect of such sales	**99**	200	88

The only material product purchase is crude oil which comprises 93 per cent of total affiliated company purchases.

Shell Investments Limited (SIL) is a wholly owned subsidiary of the Royal Dutch/Shell Group of Companies, and owns about 78 per cent of the outstanding Common Shares of Shell Canada Limited. SIL participated in the share purchase program announced May 10, 2000, as outlined in *Note 3*.

In December 1999, the Corporation entered into a loan agreement with The Shell Petroleum Company, a wholly owned subsidiary of the Corporation's ultimate parents, under which it advanced $750 million Cdn at competitive Canadian short-term interest rates as part of its cash management activities. The loan matured in February 2000.

Shell Canada sold its natural gas marketing business on April 1, 1997, to Coral Energy (Coral), in which Shell Oil Company of Houston, Texas (Shell Oil), owned a 44 per cent interest. In return, the Corporation obtained a 12 per cent interest in Coral, a natural gas, power and energy company. On June 1, 1997, the Corporation began selling its gas production to Coral. On January 12, 1998, Shell Oil increased its holding in Coral to 88 per cent.

Effective September 30, 1999, Shell Canada sold its 12 per cent interest in Coral to Shell Oil. This transaction resulted in a $35-million after-tax gain.

In May 1998, the Corporation purchased the shares of a related party for $108 million. As as result of this acquisition, Shell Canada was able to use income tax deductions of the acquired company. The purchase price was established, independently verified and agreed to by the related parties.

11. COMMITMENTS AND CONTINGENCIES

At December 31, 2001, the Corporation had non-cancellable operating and other long-term commitments with an initial or remaining term of one year or more. Future minimum payments under such commitments are estimated to be:

($ millions)	*Operating Commitments*[1]	*Other Long-term Commitments*[2]
2002	36	405
2003	36	365
2004	35	286
2005	31	264
2006	30	252
thereafter	162	2 903[3]

[1] *These operating commitments cover leases of service stations, office space and other facilities.*

[2] *The Corporation has substantial commitments for use of facilities or services and supply and processing of products, all made in the normal course of business.*

[3] *Includes obligations of $1.0 billion for the Athabasca Oil Sands Project and $1.1 billion for pipeline charges.*

Various lawsuits are pending against the Corporation. Actual liability with respect to these lawsuits is not determinable, but management believes, based on counsels' opinions, that any potential liability will not materially affect the Corporation's financial position.

12. SALE OF ACCOUNTS RECEIVABLE

In November 2000, the Board of Directors approved a $350 million securitization program. In December 2000, the Corporation sold $200 million of accounts receivable under the program and, in November 2001, the Corporation sold another $150 million.

The Corporation has no retained interest in any of the sold receivables. The Corporation will service the portfolio of sold receivables at no cost to the Purchaser. The Corporation has not estimated the fair value of the servicing liability as no incremental costs have been incurred, nor have any incremental savings been foregone as a result of the servicing liability.

As the book value of the sold receivables approximated their fair value, no gain or loss was recognized on the sale.

13. EARNINGS PER SHARE

Effective January 1, 2001, a new accounting standard related to calculation and disclosure of earnings per share was established. The effect of this change was not material.

	2001	*2000*	*1999*
Earnings *($ millions)*	**1 010**	858	641
Weighted average number of Common Shares *(millions)*	**275**	282	289
Dilutive securities *(millions)*			
Options on long-term incentive plan[1]	**2**	1	1
Basic earnings per share *($ per share)*[2]	**3.67**	3.04	2.22
Diluted earnings per share *($ per share)*[3]	**3.65**	3.03	2.21

[1] *The amount shown is the net number of Common Shares outstanding after the notional exercise of the share options and the cancellation of the notionally repurchased Common Shares as per the treasury stock method.*

[2] *Basic earnings per share is the earnings divided by the weighted average number of Common Shares.*

[3] *Diluted earnings per share is the earnings divided by the aggregate of the weighted average number of Common Shares plus the dilutive securities.*

SUPPLEMENTAL OIL PRODUCTS DISCLOSURE

Years ended December 31 (unaudited)

Production *(thousands of cubic metres/day)*	**2001**	2000	1999	1998	1997
Crude oil processed by Shell refineries					
Montreal East *(Quebec)*	**18.2**	18.6	17.0	18.0	17.5
Sarnia *(Ontario)*	**10.6**	10.0	9.9	9.7	10.1
Scotford *(Alberta)*	**14.9**	14.5	14.9	14.1	13.6
Total	**43.7**	43.1	41.8	41.8	41.2
Rated refinery capacity at year-end					
Montreal East *(Quebec)*	**20.7**	20.7	20.7	20.6	20.6
Sarnia *(Ontario)*	**11.4**	11.4	11.4	11.4	11.4
Scotford *(Alberta)*	**15.5**	15.3	15.3	15.0	14.2
Total	**47.6**	47.4	47.4	47.0	46.2

Sales *(thousands of cubic metres/day)*	**2001**	2000	1999	1998	1997
Gasolines	**20.8**	20.6	20.8	20.6	19.9
Middle distillates	**16.6**	17.6	17.1	17.0	16.8
Other products	**7.5**	7.2	7.1	7.4	7.7
Total	**44.9**	45.4	45.0	45.0	44.4

SUPPLEMENTAL RESOURCES DISCLOSURE

Years ended December 31 (unaudited)

Production	2001	2000	1999	1998	1997
Natural gas *(millions of cubic feet/day)*					
Gross	**614**	593	562	587	667
Net	**498**	482	473	463	571
Ethane, propane and butane *(thousands of barrels/day)*					
Gross	**28.8**	30.2	30.4	30.8	31.3
Net	**22.5**	23.9	25.3	26.8	26.5
Condensate *(thousands of barrels/day)*					
Gross	**22.3**	23.2	23.6	24.9	24.6
Net	**17.2**	17.7	18.7	20.2	20.3
Bitumen *(thousands of barrels/day)*					
Gross	**4.5**	4.2	6.1	7.2	6.0
Net	**4.4**	4.0	5.7	6.9	5.3
Crude oil *(thousands of barrels/day)*					
Gross	**–**	–	13.6	15.7	20.5
Net	**–**	–	11.1	13.5	16.3
Sulphur *(thousands of long tons/day)*					
Gross	**6.1**	6.5	6.6	6.6	6.6

Gross production includes all production attributable to Shell's interest before deduction of royalties; net production is determined by deducting royalties from gross production.

Sales	2001	2000	1999	1998	1997
Natural gas – gross *(millions of cubic feet/day)*	**608**	585	552	593	704
Ethane, propane and butane – gross *(thousands of barrels/day)*	**48.1**	54.2	53.5	64.2	63.7
Condensate – gross *(thousands of barrels/day)*	**28.7**	31.5	34.5	36.3	33.4
Bitumen – gross *(thousands of barrels/day)*	**6.8**	6.6	9.1	11.1	10.5
Crude oil – gross *(thousands of barrels/day)*	**–**	–	13.4	14.1	19.4
Sulphur – gross *(thousands of long tons/day)*	**8.2**	9.1	9.3	8.0	7.4

Prices	2001	2000	1999	1998	1997
Natural gas average plant gate netback price *($/mcf)*	**5.75**	4.74	2.69	1.89	1.86
Ethane, propane and butane average field gate price *($/bbl)*	**24.22**	22.75	12.91	7.25	10.93
Condensate average field gate price *($/bbl)*	**38.23**	42.62	24.90	18.54	26.74
Crude oil average field gate price *($/bbl)*	**–**	–	24.97	18.83	25.80

Exploration and Development Wells Drilled

	2001		2000		1999		1998		1997	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploration										
Gas	**2**	**1**	2	1	1	–	6	3	2	2
Oil	**–**	**–**	–	–	–	–	2	2	3	3
Dry	**4**	**2**	3	2	15	13	12	8	8	6
	6	**3**	5	3	16	13	20	13	13	11
Development										
Gas	**10**	**7**	16	8	9	7	7	6	11	8
Bitumen	**16**	**16**	–	–	–	–	17	17	10	10
Oil	**–**	**–**	–	–	2	1	24	14	49	22
Dry	**–**	**–**	1	1	2	1	–	–	2	1
	26	**23**	17	9	13	9	48	37	72	41
Total wells drilled	**32**	**26**	22	12	29	22	68	50	85	52
Wells in progress	**16**	**14**	8	5	10	3	24	21	24	20

Exploration wells – Wells drilled either in search of new and as yet undiscovered pools of oil or gas, or with the expectation of significantly extending the limits of established pools. All other wells are development wells.

Productive Wells

	2001		2000		1999		1998		1997	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Gas Wells										
Alberta	**277**	**240**	254	220	242	213	253	220	270	217
British Columbia	**–**	**–**	–	–	–	–	–	–	6	5
Nova Scotia	**12**	**4**	11	3	2	1	–	–	–	–
	289	**244**	265	223	244	214	253	220	276	222
Oil Wells										
Alberta – conventional	**–**	**–**	–	–	–	–	242	127	287	137
Alberta – bitumen	**41**	**41**	52	52	95	95	123	123	172	172
Saskatchewan	**–**	**–**	–	–	–	–	273	188	466	286
	41	**41**	52	52	95	95	638	438	925	595
Total productive wells	**330**	**285**	317	275	339	309	891	658	1 201	817

Productive wells – Producing and non-unitized wells capable of producing.

Gross wells – The number of wells in which Shell Canada has a working interest.

Net wells – The aggregate of the numbers obtained by multiplying each gross well by the percentage working interest of Shell Canada therein, rounded to the nearest whole number.

Reserves

RESERVE QUANTITY INFORMATION Estimation of reserve quantities is based on established geological and engineering principles and involves judgmental interpretation of reservoir data. These estimates are subject to revision as additional information regarding producing fields and technology becomes available, as economic and operating conditions change, or as properties are divested or acquired. The difference between the gross and net reserves is the volume of reserves dedicated to meet royalty payments over the life of the reserves. The net reserves in the table below have been calculated on the basis of royalty rates and economic conditions in place as of the date the estimate is made. Shell Canada's estimated proved reserves include quantities for the East Coast but exclude any quantities in the Mackenzie Delta and Arctic Islands.

NATURAL GAS Net natural gas reserves decreased by 428 billion cubic feet (bcf) due to a significant reserve reassessment at Sable amounting to 277 bcf and production during the year. The Sable revision stemmed from new information obtained during Tier 1 drilling and from production data accumulated to date. Reserve revisions outside Sable were modestly positive overall. Exploration drilling activity in the Foothills region added reserves of 20 bcf reflecting discoveries and extensions at South Mountain Park, Natomas and Wildcat Hills. A swap, exchanging a portion of reserves at Wildcat Hills for a larger share of Limestone reserves, was also concluded in 2001.

	NATURAL GAS (billions of cubic feet)		
Oil, Gas and Other Reserves	***2001***	*2000*	*1999*
Net proved developed and undeveloped reserves			
Beginning of year	**2 495**	2 666	2 771
Revisions of previous estimates	**(266)**	25	163
Extensions, discoveries and other additions	**20**	6	1
Improved recovery methods	**–**	–	–
Purchases of reserves in place	**9**	–	–
Sales of reserves in place	**(6)**	(27)	(95)
Production	**(185)**	(175)	(174)
End of year	**2 067**	2 495	2 666
Net proved developed reserves			
End of year	**1 614**	1 989	2 187
Gross proved developed and undeveloped reserves			
End of year	**2 499**	2 991	3 119
Gross proved developed reserves			
End of year	**1 970**	2 357	2 550

Proved reserves – Estimated quantities of natural gas, natural gas liquids, bitumen, crude oil and sulphur that geological engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs. These estimates are based on existing economic and operating conditions (prices, costs, royalties and income taxes) as of the date the estimate is made.

Proved developed reserves – Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

NATURAL GAS LIQUIDS Net reserves of natural gas liquids decreased by 19 million barrels in 2001 due to production during the year and, to a lesser extent, the reassessment of natural gas liquids reserves at Sable in line with a lower estimate of recoverable raw gas reserves. Net reserves of ethane, propane and butane declined by 11 million barrels in 2001 and condensate reserves fell by eight million barrels.

BITUMEN Net proved bitumen reserves increased by six million barrels, reflecting a lower estimate of future royalties payable on incremental volumes produced from newer soak radial drilling technology being employed to fill the existing Peace River plant. Offsetting a portion of this new reserve revision was annual production of two million barrels.

SULPHUR Net sulphur reserves declined by two million tons reflecting production in 2001, offset slightly by positive revisions at the Caroline field and lower overall royalty rates.

NATURAL GAS LIQUIDS (millions of barrels)			CRUDE OIL AND BITUMEN (millions of barrels)			SULPHUR (millions of long tons)		
2001	*2000*	*1999*	**2001**	*2000*	*1999*	**2001**	*2000*	*1999*
142	168	183	**184**	100	170	**18**	19	21
(4)	(11)	5	**8**	–	(6)	**–**	1	–
–	–	–	**–**	–	–	**–**	–	–
–	–	–	**–**	86	–	**–**	–	–
–	–	–	**–**	–	–	**–**	–	–
–	–	(4)	**–**	–	(58)	**–**	–	–
(15)	(15)	(16)	**(2)**	(2)	(6)	**(2)**	(2)	(2)
123	142	168	**190**	184	100	**16**	18	19
111	129	155	**24**	20	7	**15**	16	18
143	164	192	**192**	194	105	**18**	20	22
130	148	176	**25**	21	7	**16**	18	20

Proved undeveloped reserves – Reserves that are expected to be recovered from new wells on undrilled acreage adjacent to producing acreage, or from existing wells where further significant expenditure is required.

Gross proved reserves – Reserve estimates before the deduction of royalty interests owned by others.

Net proved reserves – Reserve estimates after deduction of royalties and, therefore, only those quantities that Shell has a right to retain.

SUPPLEMENTAL OIL SANDS DISCLOSURE

Years ended December 31 (unaudited)

Reserves

The Muskeg River mine on Lease 13 contains proved reserves of bitumen of one billion barrels and probable reserves of 500 million barrels. Shell's 60 per cent interest is 600 million barrels of proved and 300 million barrels of probable reserves. This estimate is before deduction of royalties, which cannot be accurately estimated. Under the Oil Sands Royalty Regulation, royalty is dependent on project cash flows, therefore; the calculation of royalties depends upon price, production rates, capital costs and operating costs over the life of the Muskeg River mine.

The reserve estimates are based upon a detailed geological assessment including drilling and laboratory tests. They also consider current mine plans, planned operating life and regulatory constraints. The current proved plus probable reserve estimate includes only the portion of Lease 13 that represents the development area approved by the Alberta Energy and Utilities Board. The reserve estimate is the actual barrels of bitumen to be shipped for processing at the Scotford upgrader. No allowance for volume losses during upgrading is required because of the Scotford upgrader's hydro-conversion upgrading process.

Drilling density is a factor in classifying reserves as either proved or probable. Proved reserves of bitumen are based on drill hole spacing less than 350 metres. Probable reserves of bitumen are based on drill hole spacing less than 700 metres. Classification of both proved and probable reserves of bitumen possess a high degree of geological certainty and are predicated on the application of existing or piloted technology.

	MINEABLE BITUMEN *(millions of barrels)*		
Oil Sands Reserves	***2001***	*2000*	*1999*
Gross proved developed and undeveloped reserves			
Beginning of year	**600**	600	–
Revisions of previous estimates	**–**	–	–
Extensions, discoveries and other additions	**–**	–	600
Production	**–**	–	–
End of year	**600**	600	600
Gross proved and probable developed and undeveloped reserves			
End of year	**900**	900	900

LANDHOLDINGS

As at December 31

	UNDEVELOPED ACRES				DEVELOPED ACRES			
	2001		2000		**2001**		2000	
(thousands of acres)	*Gross*	*Net*	*Gross*	*Net*	*Gross*	*Net*	*Gross*	*Net*
Onshore within the provinces								
Conventional oil and gas:								
Alberta	**441**	**317**	400	245	**540**	**378**	628	430
British Columbia	**53**	**53**	53	53	**–**	**–**	–	–
Quebec	**1 351**	**675**	1 361	675	**–**	**–**	–	–
Bitumen:								
– mining	**95**	**75**	95	75	**–**	**–**	–	–
– in-situ	**198**	**198**	198	198	**7**	**7**	7	7
	2 138	**1 318**	2 107	1 246	**547**	**385**	635	437
Canada Lands								
Offshore Nova Scotia	**2 467**	**952**	2 330	883	**109**	**34**	109	33
Northwest Territories	**252**	**242**	252	242	**–**	**–**	–	–
West Coast offshore	**13 602**	**12 850**	13 602	12 855	**–**	**–**	–	–
Nunavut Territory	**5 801**	**3 099**	5 801	3 100	**–**	**–**	–	–
	22 122	**17 143**	21 985	17 080	**109**	**34**	109	33
Total	**24 260**	**18 461**	24 092	18 326	**656**	**419**	744	470

Gross acres include the interests of others; net acres exclude the interests of others.

Developed lands are: leases and other forms of title documents issued by owners or legislative authorities that contain a well or are in close proximity to other lands that contain a well that has been drilled or completed to a point that would permit production of commercial quantities of oil and gas.

Undeveloped lands are all lands that are not developed, and that retain exploration rights.

In Western Canada, approximately 193,000 gross acres (2000 – 293,000) or 162,000 net acres (2000 – 172,000) of the total developed acres, primarily in Alberta, are classified as producing lands.

On the East Coast, approximately 42,000 gross acres (2000 – 33,095) or 13,000 (2000 – 7,951) net acres of the total developed acres, are classified as producing lands.

Comparative figures have been restated to conform with the current year's classification.

SUPPLEMENTAL FINANCIAL DATA

Data Per Common Share[1] (dollars except as noted)	2001	2000	1999	1998	1997
Earnings – basic	**3.67**	3.04	2.22	1.49	1.69
Earnings – diluted	**3.65**	3.03	2.21	1.49	1.69
Cash flow from operations	**5.44**	4.45	2.75	2.91	3.03
Dividends	**0.80**	0.76	0.72	0.72	0.66
Common shareholders' investment	**17.16**	14.28	13.25	11.75	11.03
Common Shares outstanding at year-end *(millions)*	**276**	275	289	289	290
Registered shareholders *(number at year-end)*	**2 742**	2 849	3 001	3 161	3 257

[1] *All data has been restated to reflect the impact of the June 30, 1997, three-for-one stock split.*

Ratios	2001	2000	1999	1998	1997
Return on average capital employed *(%)*[1]	**21.5**	20.3	15.8	11.8	13.2
Return on net investment *(%)*[2]	**18.5**	17.2	13.4	9.9	10.8
Return on average common shareholders' equity *(%)*[3]	**23.3**	22.1	17.7	13.1	14.8
Common Share dividends as % of earnings[4]	**21.8**	25.1	32.5	48.3	39.3
Price to earnings ratio[5]	**12.5**	12.9	13.2	15.6	15.2
Current assets to current liabilities	**0.7**	1.1	1.9	1.6	2.0
Interest coverage[6]	**94.1**	32.7	23.1	10.3	14.2
Reinvestment ratio *(%)*[7]	**135.6**	91.9	89.9	94.3	57.5
Total debt as % of capital employed[8]	**6.6**	11.3	10.3	18.9	18.8
Debt to cash flow *(%)*[9]	**22.3**	39.9	55.6	93.7	78.8

[1] *Earnings plus after-tax interest expense divided by average of opening and closing capital employed. Capital employed is a total of equity and debt.*

[2] *Earnings plus after-tax interest expense divided by average of opening and closing net investment. Net investment is total assets less current liabilities.*

[3] *Earnings divided by average common shareholders' investment.*

[4] *Common Share dividends paid divided by earnings.*

[5] *Closing share price at December 31 divided by earnings per share.*

[6] *Pre-tax earnings plus interest expense divided by interest expense.*

[7] *Capital, exploration and investment expenditures divided by cash flow from operations.*

[8] *Total debt divided by total debt plus equity.*

[9] *Total debt divided by cash flow from operations.*

Employees	2001	2000	1999	1998	1997
Employees *(number at year-end)*	**3 674**	3 392	3 431	3 644	3 593

QUARTERLY FINANCIAL AND STOCK TRADING INFORMATION

($ millions except as noted)	2001 Quarter 1st	2nd	3rd	4th	2001 Total Year	2000 Quarter 1st	2nd	3rd	4th	2000 Total Year
Earnings										
Sales and other operating revenues	2 270	2 036	1 851	1 573	7 730	1 789	1 809	2 156	2 435	8 189
Expenses	1 663	1 568	1 577	1 339	6 147	1 507	1 524	1 768	1 930	6 729
Earnings before income tax	607	468	274	234	1 583	282	285	388	505	1 460
Income tax	253	154	102	64	573	114	117	162	209	602
Earnings	354	314	172	170	1 010	168	168	226	296	858
Segmented Earnings										
Resources	240	186	95	79	600	92	96	143	205	536
Oil Products	115	122	79	85	401	79	75	88	98	340
Corporate	(1)	6	(2)	6	9	(3)	(3)	(5)	(7)	(18)
Earnings	354	314	172	170	1 010	168	168	226	296	858
Per Common Share *(dollars)*										
Earnings – basic	1.29	1.14	0.63	0.62	3.67	0.58	0.59	0.82	1.08	3.04
Earnings – diluted	1.28	1.13	0.62	0.61	3.65	0.58	0.58	0.81	1.07	3.03
Cash dividends	0.20	0.20	0.20	0.20	0.80	0.18	0.18	0.20	0.20	0.76
Weighted average shares *(millions)*	275	275	275	276	275	289	287	277	275	282
Dilutive securities *(millions)*	1	2	2	2	2	2	1	1	1	1
Share prices *(dollars)* [1]										
High	43.50	48.25	44.44	46.00	48.25	31.80	37.50	36.00	40.80	40.80
Low	32.90	39.95	38.00	39.25	32.90	25.00	27.80	32.50	32.75	25.00
Close *(end of period)*	41.40	43.20	40.41	45.75	45.75	28.00	33.25	33.65	39.10	39.10
Shares traded *(thousands)* [1]	6 443	7 475	3 836	5 732	23 486	11 253	13 829	14 426	9 101	48 609

[1] *Toronto Stock Exchange quotations.*

CORPORATE DIRECTORY AND BOARD OF DIRECTORS

OFFICERS *(all in Calgary)*

TIMOTHY W. FAITHFULL
President and Chief Executive Officer

VICE PRESIDENTS

RAYMOND I. WOODS
Senior Operating Officer, Resources

STEINAR STØTVIG
Chief Financial Officer

HAROLD W. LEMIEUX
Vice President, General Counsel and Secretary

NEIL J. CAMARTA
Senior Vice President, Oil Sands

GRAHAM BOJÉ
Vice President, Manufacturing

R. TERRY BLANEY
Vice President, Marketing

TREASURER

GARY N. STEWART

CONTROLLER

MATTHEW B. HANEY

BOARD OF DIRECTORS

FERNAND R. BIBEAU
Chairman of the Board
Beauward Shopping Centres Ltd.
St-Eustache

DEREK H. BURNEY OC
President and Chief Executive Officer
CAE Inc.
Toronto

TIMOTHY W. FAITHFULL
President and Chief Executive Officer
Shell Canada Limited
Calgary

KERRY L. HAWKINS
President
Cargill Limited
Winnipeg

JOHN D. MCNEIL
Company Director
Toronto

RONALD W. OSBORNE
President and Chief Executive Officer
Ontario Power Generation Inc.
Toronto

RAYMOND ROYER OC
President and Chief Executive Officer
Domtar Inc.
Ile Bizard

PAUL D. SKINNER
Managing Director
The "Shell" Transport and Trading Company, p.l.c.
London, England

NANCY C. SOUTHERN
Co-chairman and Chief Executive Officer
ATCO Ltd.
Calgary

ROBERT M. SPRAGUE
Director, Regional Business Europe and North America
Shell E.P. International
London, England

ROBERT T. STEWART
Retired Chairman of the Board and Chief Executive Officer
Scott Paper Limited
Vancouver

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporation is aligned with the guidelines recommended by the Toronto Stock Exchange (TSE) for effective corporate governance.

A complete description of the Corporation's approach to corporate governance is set out in Appendix 2 entitled "Statement of Corporate Governance Practices," which is attached to the Corporation's Management Proxy Circular dated March 7, 2002.

THE BOARD OF DIRECTORS

The Board of Directors manages and supervises the business and affairs of the Corporation in a stewardship role. The day-to-day management is delegated to the officers of the Corporation. Any responsibilities that have not been delegated to the officers or to a committee of the Board remain with the Board.

The Board is currently composed of 11 directors. Ten of the 11 directors are unrelated to the Corporation, as defined in the TSE guidelines. The one related director is the President and Chief Executive Officer, T.W. Faithfull. The Corporation has a significant shareholder, but eight of the 11 directors are outside directors who have no interests in or relationships with either the Corporation or the significant shareholder. The Board believes this fairly reflects the investment of minority shareholders.

The Chairman of the meetings of the Board is a separate role from the President and Chief Executive Officer.

The Board held eight meetings during 2001.

The Board has adopted a Statement of General Business Principles and Code of Ethics, which all employees are expected to observe in the conduct of the Corporation's business. The Board expects management to manage the business of the Corporation in a manner that enhances shareholder value, is consistent with the highest level of integrity and is within the law.

The Investor Relations manager and senior management communicate with significant shareholders, institutional investors and the financial community. The Corporation's transfer agent or the Corporate Secretary's department responds to shareholder account inquiries. Shareholders and the public receive a response from the Public Affairs department, the Investor Relations department, the Corporate Secretary's department or the appropriate member of senior management.

BOARD COMMITTEES

The Board has three committees: the Audit Committee, the Management Resources and Compensation Committee and the Nominating and Governance Committee. All members of the committees are outside directors and not related to the Corporation or its significant shareholder.

AUDIT COMMITTEE

The members of the Audit Committee are R.T. Stewart (Chairman), K.L. Hawkins, J.D. McNeil, R.W. Osborne and R. Royer.

The committee's mandate includes:

- *reviewing the annual audited financial statements and the Auditors' Report on the statements prior to submission to the Board for approval;*
- *reviewing and approving the interim financial statements for the first nine months of the financial year prior to public release and filing;*
- *reviewing the scope of external and internal audits;*
- *reviewing and discussing accounting and reporting policies and changes in accounting principles;*
- *assessing the effectiveness of the Corporation's internal control systems and procedures, and the process for identifying principal business risks;*
- *reviewing compliance with the Corporation's Statement of General Business Principles and Code of Ethics;*
- *reviewing the procedures for the disclosure of oil and gas reserves and the reserves data prior to Board approval and filing;*
- *meeting with the internal and external auditors independently of management of the Corporation.*

The Audit Committee met three times in 2001.

MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE

The members of the Management Resources and Compensation Committee are J.D. McNeil (Chairman), F.R. Bibeau, K.L. Hawkins, R. Royer and N.C. Southern.

The committee's mandate includes:

- *determining compensation and terms of employment for senior executives, including stock option and incentive programs;*
- *approving pension and benefit plans of the Corporation;*
- *reviewing executive succession and development plans and recommending to the Board candidates for appointment as officers of the Corporation;*
- *assessing at least annually the performance of the President and Chief Executive Officer and determining his or her compensation and terms of employment.*

The Management Resources and Compensation Committee met five times in 2001.

NOMINATING AND GOVERNANCE COMMITTEE

The members of the Nominating and Governance Committee are K.L. Hawkins (Chairman), F.R. Bibeau, D.H. Burney and R.T. Stewart.

The committee's mandate includes:

- *determining criteria for being a director and assisting the President and Chief Executive Officer in selecting new candidates for the Board;*
- *reviewing and recommending to the Board criteria related to the tenure of directors;*
- *reviewing annually the performance of the Board, its committees and individual directors;*
- *reviewing annually memberships of the committees and making recommendations to the Board on appointments to the committees;*
- *reviewing and making recommendations to the Board on the mandates of committees of the Board;*
- *determining remuneration to be paid to directors for sitting on the Board and committees;*
- *reviewing and making recommendations to the Board on corporate governance;*
- *administering the Director Share Compensation Plan and the Deferred Share Unit Plan.*

The Nominating and Governance Committee met three times in 2001.

INVESTOR INFORMATION

SHELL CANADA LIMITED

(incorporated under the laws of Canada)

HEAD OFFICE

Shell Centre
400 – 4th Avenue S.W.
Calgary, Alberta T2P OJ4
Web site www.shell.ca

TRANSFER AGENT AND REGISTRAR

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Calgary, Alberta T2P 2Z1
Telephone (403) 232-2400
Facsimile (403) 264-2100
e-Mail inquiries@cibcmellon.com
Web site www.cibcmellon.com
Answerline (416) 643-5500 or
1-800-387-0825
Toll-free throughout North America

STOCK EXCHANGE LISTINGS

The Common Shares of Shell Canada Limited are listed on the Toronto Stock Exchange (stock symbol SHC), and do not have an established public trading market in the United States.

ANNUAL MEETING

The annual meeting of shareholders will be held at 11:00 a.m., Thursday, April 25, 2002, in the Metropolitan Ballroom, The Metropolitan Centre, Calgary, Alberta.

DUPLICATE REPORTS

Shareholders who receive more than one copy of the Quarterly Report to Shareholders and the Annual Report, as a result of having their shareholdings represented by two or more share certificates, may wish to contact the transfer agent to have their holdings consolidated. It will not be necessary to forward share certificates.

This Annual Report is recyclable and has been printed using vegetable-based inks. The paper used for the cover and front section contains a minimum of 10 per cent post-consumer fibre and the paper for the back section contains 30 per cent post-consumer fibre.

the equity and voting rights.

The publicly held Common Shares (approximately 61 million) constitute about 22 per cent of the equity and voting rights in the Corporation.

Shell Investments Limited is a Canadian company, wholly owned by Shell Petroleum N.V. of the Netherlands which, in turn, is owned 40 per cent by The "Shell" Transport and Trading Company, p.l.c., an English company, and 60 per cent by Royal Dutch Petroleum Company of the Netherlands.

APPROXIMATE CONVERSION FACTORS

1 cubic metre of liquids	=	6.29 barrels
1 cubic metre of gases	=	35.3 cubic feet
1 barrel of oil equivalent	=	6,000 cubic feet of gases
1 tonne	=	2,205 pounds
	=	0.984 long ton
	=	1.102 short tons
1 kilometre	=	0.621 mile
1 hectare	=	2.47 acres
1 litre	=	0.22 gallon

AUDIT COMMITTEE

The members of the Audit Committee are R.T. Stewart (Chairman), K.L. Hawkins, J.D. McNeil, R.W. Osborne and R. Royer.

The committee's mandate includes:

- *reviewing the annual audited financial statements and the Auditors' Report on the statements prior to submission to the Board for approval;*
- *reviewing and approving the interim financial statements for the first nine months of the financial year prior to public release and filing;*
- *reviewing the scope of extern...*

Shell Canada Limited

For information:

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